FINANCIAL TIMES

THURSDAY APRIL 27 1995



Fernando Cardoso Fighting Brazil's fear of failure



Grand designs Europe's embryo central bank



Spiral of hope South Africa's miracle year



Today's surveys Pension Investment Guide to Motor Sport

World Business Newspaper

Philips more than doubles profits as sales grow by 13%

Dutch electronics group Philips said net profit before extraordinary items more than doubled to FI 544m (\$351m) in the first quarter of 1995 from F1 260m, easily exceeding most analysts' forecasts. The company also reported an extraordinary gain of Fi 200m, due mainly to the flotation of a minority stake in ASM Lithography, its Dutch-based chipwafer subsidiary. This boosted total net profit to F1 744m. Sales grew by 13 per cent and group turnover rose by 7 per cent. Page 15

IMF looking to avert financial crises: International Monetary Fund member countries are moving towards agreement on improved early warning systems to head off future Mexican-style financial crises. Page 14; Ministers urge action, Page 4; Editorial Comment, Page 13; Currencies,

Chrysler's shares falt: Shares in Chrysler, the US car manufacturer, fell \$2% to \$41% in early trading as the market concluded that a \$55-a-share buy-out proposal by investor Kirk Kerkorian was virtually dead. Page 15

US Supreme Court rejects gun ban: The US Supreme Court struck down a federal law banning possession of a gun within 1,000 feet of a school on the grounds that it went beyond the area in which the constitution gave Congress the authority to leg-

Key Japanese cult member arrested: Japanese police arrested a key figure in the religious cult being investigated over gas attacks on the Tokyo subway system, NHK Television in Japan reported. It said chemical expert Masami Tsuchiya and six other cult members were being

Lioyd's of London could face curbs on its US business unless it resolves a dispute with New York insurance regulators over its finances. Page 14

Euthanasia doctor escapes punishment: A court in Alkmaar in the Netherlands found a doctor who ended the life of a severely handicapped baby guilty of murder, but decided not to punish him. Dr Henk Prins gave a fatal injection to the child in consultation with her parents and other doctors.

SKB Banka, the largest private bank in Slovenia. has launched eastern Europe's first hostile bid for a bank – an offer for Goreniska Banka, the country's fifth largest by assets. Page 14



lunung Jangs

extradition request for former Barings Bank trader Nick Leeson (left), blamed with causing the collapse of the British bank. The German For-eign Ministry sald the request came ahead of a deadline set for next after Mr Leeson was

Brussels to protect car distribution: The European Commission voted to allow Europe's car industry to maintain a protected system of vehicle distribution, in spite of criticism from consumer groups who say the system inflates prices by between 10 and 15 per cent. Page 3

Imeida Marcos set for election win: Former Philippines first lady Imelda Marcos looks set to win a seat in the country's House of Representatives on May 8, according to opinion polls. Page 6

Russian signs traq oil deal: Russia has signed an agreement to help develop Iraq's oil and gas fields, securing a strong position in the scramble for husiness expected to follow any relaxation of United Nations sanctions. Page 4

Tajikistan ceasefire extended: The warring sides in Tajikistan agreed to extend a ceasefire until May 26 and agreed on another round of talks four days before it expires, Interfax news agency said.

Suspected war criminal pleads innocence: Dusan Tadic, the first suspected war criminal to be brought before the United Nations-sponsored Yugoslav War Crimes Tribunal in The Hague, pleaded not guilty during a short pre-trial bearing. Mr Tadic is accused of murdering Bosnian Moslem prisoners at a camp in Bosnia. Page 2

Churchill papers bought for \$23m: Historic speeches and papers of former British prime minister Sir Winston Churchill have been bought for the nation for £14.25m (\$23m) after a £13.25m grant from the national lottery heritage fund. Page 9

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Brussels raids offices in newsprint producers' probe

By Our Foreign Staff

The European Commission yesterday announced that it had raided the offices of European newsprint producers and launched an investigation into an alleged price-fixing cartel.

The move follows complaints from European governments and from news-paper publishers reeling from a sharp rise in the price of newsprint, which accounts for about a quarter of newspa-per production costs.

Since late last year the price of newsprint in Europe has increased by more than 30 per cent and producers are planning to raise prices further in July. Newsprint producers say prices have

jumped because of increases in the costs of raw materials, especially pulp. In Brussels, Mr Karel Van Miert, the competition commissioner, said: "We feel that in the light of the information received we should investigate what was going on . . . in a very short period of time there were price increases of about 20 per cept."

Mr Van Miert said 40 investigations had been carried out at the offices of newsprint producers throughout Europe. Among those companies which yesterday confirmed they had been visited by EC investigators this week were Norske Skog of Norway, SCA, Stora and MoDo of Sweden. KNP BT of the Netherlands, and Bridgewater Paper of the UK. Com-

...Page 3 Ready answers Page 14

panies in Finland, France, Austria, Italy and Germany were also visited.

The raids - carried out simultaoeously by oational competitioo authori-

ties on Tuesday morning - mark the first stage in the often drawn-out process of cartel investigations. However, the commission has told the companies that it expects the investigation to last from 3 to 6 months.

Complaints are understood to have come from newspaper publishers in all member states, but most particularly paper from a centralised co-operative. Mr Alain Ayache, a French newspaper and magazine publisher who has become increasingly concerned at the escalating price of paper, was one who complained to the EC. Mr Ayache, head of Groupe Alain Ayache, said last night: "This is good news for the press. Paper price increases have been catastrophic for the

majority of journals." He said he had decided to lodge formal complaint in Brussels after the latest in a series of increases in paper prices last November. "When they all announced the same price rise and said there was no surplus stock, I understood that there was a cartel." he said.

European governments had drawn the EC's attention to the sharp rise in news-

Newsprint producers denied allegations of price-fixing. Mr Kevin Lyden, chief executive of the UK newsprint manufacturer Shotton, said EC investigators had visited the company's sales agents in the UK. He said it was ridiculous to accuse paper producers of colluding to raise prices. "I'm sold out for the year, so what on earth would I want to he curtailing production for?"

Mr Mats Aguren, information director at Stora, said: "Demand is very strong at the moment and that is why prices are

Brazil to

of state

sell assets

electricity

generator

By Angus Foster In Brasilia

ity privatisations.

this century.

Brazil has decided in principle to

sell the generating assets of Ele-trobras, the holding company for

much of the country's electricity

industry, in one of the developing

world's most ambitious electric-

The country's privatisation

council has launched a 60-day study to assess how the sale

should proceed. But the size of

the disposals, involving net

assets estimated at more than

\$50hn, and the complicated regulatory issues involved, suggest the sell-off may not be completed

Eletrobras is likely to be split

into two companies. The first, which will not be privatised, will

hold Brazil's nuclear programme and a 50 per cent stake in the

giant Itaipu hydroelectric dam.

half-owned by Paraguay. These

cannot be sold because of constitutional restrictions. Eletrobrás's transmission network and regula-

tory and research functions will

also remain under government

This will free Eletrobrás's four main generators - Eletrosul, Ele-tronorte, Chesf and Furnas - for

sale. These, plus two smaller distributors, account for nearly half

Brazil's electricity system. Eletro-

bras's sales this year are forecast

Continued on Page 14

Cardoso interview. Page 12

EMS 'faces threat of collapse'

Mercedes chief calls for action to stabilise EU single market

By Christopher Parkes in Stuttgart

Unpredictable exchange rate fluctuations are threatening the European single market with disintegration, Mr Helmut Werner. president of the Mercedes-Benz automotive group, has warned.

Yesterday, be appealed for political action to restore cohesion and the introduction of a single European currency to stabilise industry's cost and price structure. Mercedes could cope with dis-

ruptions associated with the enfeebled US dollar by applying "industrial solutions" such as moving more production to north America, but the situation in Europe was much more difficult,

he told a press conference.
Politicians talked up the benefits of the single market, while the European Monetary System stood in danger of total collapse, Mr Werner claimed.

As for dealing with the dollar, which accounted for 14 per cent of car sales revenues, the company was reluctant to rely on costly bedging for protection, and intended to adjust procurement and production policies to operate with a better mix of soft and hard currencies.

The proportion of foreign components in Mercedes products would increase from 15 per cent now to 30 per cent in the foreseeable future, Mr Werner said.

At present rates German products could no longer be sold profitably in north America: Mercedes needed DM1.60 to the dollar to make a profit, compared with a current rate of about DM1.37. If the weakness of the US currency turned out to be a long-term problem, the company would expand its production in America and look at other opportunities in the Asian countries with dollarlinked currencies.

For the immediate future, Mr

Werner said he boped to turn in

DM2.7bn (\$2hn) pre-tax on a forecast increase in turnover to DM73bn from DM70.7bn. However, volume sales of cars were likely to fall to 585,000 compared with 592,000 in 1994. Deliveries of commercial vehicles were expected to reach a record of more than 300,000 after 290,354 in 1994.

Turnover had increased almost 8 per cent to DM17bn in the first quarter, with above-average rises in Latin America and the far east. Car deliveries were 6 per cent higher and commercial vehicle sales were up 18 per cent. However, these figures compare with a particularly weak first three months in 1994, and, as Mr Werner pointed out, final car sales data are already being affected by the "expiry" effect as deliveries of the old E-Class range tail-off before the start of the phased introduction of its replacement in June.

Mr Werner's conservative forecasts for the year matched the

Bundesbanl	k fears	Page 3
Currencies		Page 25

tone adopted recently by Mr Edzard Reuter, chairman of Daimler-Benz, the Mercedes parent. Mr Werner also reacted calmly on the recent engineering industry pay award which added 10 per cent to hourly wage costs. There is bittle sense in complaining now," be said, but stressed that ways would bave to be found to absorb the extra cost.

The company would need to be compensated for the extra pay costs by more flexible working practices and possible cuts in social and other company-funded

The company had reduced costs by DM4bn last year and there was still potential for saving a further 45 per cent of total manufacturing, materials and administration costs, Mr Werner



Werner (above) at a news conference in Stuttgart yesterday when he warned of the effects of severe exchange rate fluctuations. He said he hoped the group would produce a 1995 profit to match last yeer's DM2.7bn (\$2bn) pre-tax figure. He expected the group'e volume sales of cars to drop slightly compared with Picture: Associated Press

"I know it's late, but I'd like some sushi. How far do I have to go?"



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Four Sections - Regent. Defining the and of arriver of 10 hatels in as

a 1995 profit to match last year's Heseltine tells UK companies to win business in Europe

Correspondent, in London

Mr Michael Heseltine yesterday urged UK companies to stop complaining about the problems of winning business in Europe and to work constructively to exploit what was now their bome mar-

The UK trade and industry secretary's remarks were addressed to the annual convention in London of the Institute of Directors, which has become increasingly critical of areas of EU policy. Mr Heseltine has repeatedly warned that continuing uncertainty among overseas investors over Britain's relationship with the rest of Europe could undermine

its future prosperity.
But Lord Young, the IoD president and a former Conservative trade and industry secretary, told companies to raise their sights beyond Europe to higher-growth economies further afield. Europe, he suggested in a speech which

attacked the EU social chapter and plans for a single currency, was not the "be-all and end-all of our existence". Mr Heseltine, one of the cahi-

net'a most enthusiastic pro-Europeans, did not tackle head-on the divisions within the hosiness community and at Westminster over political development within

He confined his comments on Europe to the need for a "level battlefield" on which British business could fight for orders, and pledged government support in co-operating with industry to identify and remove remaining barriers to competition. He emphasised that EU member states accounted for nearly 60 per cent of UK exports of goods and

that Europe provided tha base from which to attack the fastgrowing markets of Asia. Mr Heseltine called on dele-gates to inform the Department of Trada and Industry's aingle market compliance unit if their

trying to compete in European markets. He added: "We need to work constructively in Europe. No one wins by simply whin-Lord Young, who is also chair-man of Cahle and Wireless,

companies encountered problems

claimed there was a world market for British companies which was "far more dynamic and far more interesting" than that within the EU. "If our partners in Europe are

going to continue to hurden themselves with all the additional costs of the social chapter, then there is a real chance that the 'local market' will not he interesting for years to come." He added: "Look at the coun-

tries where growth is measured in double digits, where the middle classes are exploding in number, where a great bunger is developing for quality goods that we make so well - and for the services at which we

CONTENTS	Aughter Toll	李 新 经
Companies UK	Foreign Exchanges25 Gold Markets23 Int. Bond Service24	Wed Street
Markets24	Managed Funds28.29 Money Markets	Screege Penson Fund Investi E FT Guide to Motor S

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High-rise EMI fixes its gaze on the horizon

central bank in embryo but some people already think of it as the real thing. Frankfurt taxi drivers talk of the "Europa Bank" when asked to take people to the European Monetary Institute, forerunner to the ECB. In the villages of date of 1997. But the EMI still the nearby Taunus hills, estate agents advertise for accommodation for "European central bank" employees.

Yet the EMI is not a central bank and may never become one. European monetary union is by no means a foregone conclusion, in spite of the ambitions enshrined in the Maastricht treaty. Many political questions still have to be answered and the right economic preconditions have to be

The institute's job is to lay the basis for the ECB and monitor progress toward meeting the treaty's tough Emu convergence and entry criteria. As its first annual report made clear before Easter, there is still far to go. Most countries do not yet fulfil the criteria on budget deficits and indebtedness. German politicians and Bundesbank officials inveigh constantly against suggestions the criteria should be relaxed.

Thus, Emu is highly unlikely to occur at the first possible

It may be only a European Andrew Fisher gets in at the ground floor of 'Europa Bank'

> has to be ready. Its 130 employees. due to reach 200 by the year's end, have to proceed on the basis that Emu will occur then or later. On the top 10 floors of a 36-storey skyscraper in the centre of Frankfurt, they are working painstakingly on future monetary and foreign exchange policy, a pan-European payments system, banknotes, banking supervision and the harmonisation of statistics.

Grand designs are heing worked out inside the building. but this is hardly apparent from the outside. True, the EMI's name is on a nameplate in the 11 official languages of the European Union. But the entrance to the building, opposite a shoe shop and a com-puter store, is still flanked by scaffolding as renovation is completed, and the impression is anything but grand.

Nor is the institute the only occupant, its fellow tenants being German, Japanese and Chinese banks. Eschewing the excesses that brought scorn

upon the London-based European Bank for Reconstruction and Development, the EMI has gone for self-effacement, there is no marble to be seen and decoration is in functional shades of grey.

Yet, although it is keeping a low profile, the EMI can make its voice beard when necessary. Mr Alexandre Lamfalussy, its energetic, personable president, makes speeches and gives interviews about its work and the need for EU members to adhere strictly to the convergence criteria.

He made no bones, at the press conference earlier this month on the institute's annual report, about the extent of the task facing the EMI and the 15 EU member states. "We must make absolutely sure, and without the slightest possible doubt, that the single European currency is as good and as stable as the D-Mark," he said. Chancellor Helmut Kohl used similar words in a television interview in which he also berated the US for its lax fiscal policies: "We will not bring a European money into being that does not have the stability of the D-Mark."

All this puts a heavy burden on the EMI, one of whose main tasks is to prepare for the ECB that will than put this ambi-



Ringing in the new: Mr Lamfalussy at this month's presentation of the EMI annual report

tious aim into practice. "The European central bank will be independent at least to the same degree as the Bundesbank," added Mr Lamfalussy. The scope and intensity of the work carried out by the EMI means meetings, meetings and more meetings. For every subject, there are committees and sub-committees of insti-

tives of the central banks. Staff come from most EU countries, with Germany and Britain predominating. They are still coming to grips with their role and the EMI does not yet have the feel of a real institution. It was not helped by the political delay in deciding its

tute officials and representa-

location. It only moved into the building last November. Since the instituta needs

experts, it has drawn heavily on the Union's central banks. These are the source of about half its staff, all of whom are on three-year contracts so as to allow a future ECB to make its own hiring decisions. Although the range of their activities is wide, the most controversial and banknotes.

The institute has to decide how the ECB will co-operate with member central banks in the European system of central banks to be set up under Emu and how monetary policy will be managed. The Bundesbank wants money supply to be tar-geted as a reliable pre-inflation indicator. Other countries such as Britain want price stability to be targeted directly. As for banknotes, the EMI is

happy to leave the final design and naming to the politicians. But it is working on two options: a common design (the C option) for all notes used by Emu members; and a design that is common but with national features on one side (the CNF option). Will the ten in 11 languages? Like the tricky question of their name, that will be a decision for the

politicians. As an institute official points out, the former Austro-Hungarian empire had notes printed in nine languages. That might be a good precedent for currency design, but Emu's proponents must hope that a new monetary alliance will show more capacity for survival than the Habsburg empire.

EUROPEAN NEWS DIGEST

Polish monetary policy accord

Poland's finance ministry and independent central bank have reached a consensus on monetary policy which should lead next month to a revalued sloty and a possible base rate cut. Both moves would be aimed to counter inflationary pressures from the fast growth of foreign currency reserves.

Until now, the central bank has resisted lowering Poland'a high base rates. It blamed inflation for a rise earlier this year in its key refinancing rate by 2 points to an annual 35 per cent. Inflation was running at 33 per cent in the first quarter against the same period last year, and the bank intends to await this month's figure before deciding on reducing interest rates, but appears to have recognised that its high interest rate policy is exacerbating the situation.

The deal gives the bank an important new policy instrument in the exchange rate mechanism which will enable it to intervene in the interbank foreign exchange market and set daily rates within a relatively wide band around a fixed mid-rate. Christopher Bobinski, Warsow

Defendant denies war crimes

Mr Dusan Tadic, the first suspected war criminal to be brought before the United Nations-sponsored Yugoslav War brought before the United Nations-sponsored 1 ugosiav wall Crimes Tribunal in The Hague, pleaded imnocent yesterday during a short pre-trial hearing. The trial, expected to begin in the summer, will be the first of a war crimes suspect since the Tokyo and Nuremberg tribunals after the second world war. Mr Tadic is accused of the mistreatment and murder of

Bosnian Moslem prisoners at the Omarska camp in the Serb-controlled northwestern region of Bosnia. Of the 22 people indicted so far for atrocities in the former Yugoslavia. Mr Tadic is the only one in custody, having been extradited from Germany on Monday. Earlier this week, the tribunal's chief prosecutor said he was opening an investigation into the Bosnian Serb leader, Mr Radovan Karadzic. Ronald van de Krol, Amsterdam

Russian officials said yesterday that Moscow would consider withdrawing its peacekeepers from Bosnia if a truce due to expire at the end of the month was not extended. The warning comes in the wake of similar statements from France last week. Russia's chief negotiator in the former Yugoslavia told the Interfax news agency that failure to renew the ceasefire "could create unbearable conditions for the UN peacekeepers". Chrystia Freeland, Moscow

Brussels seeks toxic waste curb

The European Commission yesterday proposed a ban on all toxic waste exports to developing countries by 1998 at the latest. The EU already bans such exports intended for final disposal in countries outside the 25-nation Organisation for Economic Co-operation and Development but allows exports intended for recycling. Environmentalists allege companies avoid the ban by relabelling waste. *Reuter, Brussels*

Dublin rescues aircraft concern

Dublin has agreed an I£12m (£11.7m) rescue for alling Shannon Aerospace, the aircraft maintenance operation set up in 1992 by Luftbansa, Swissair and Guinness Peat Aviation GPA. The two-year deal will secure the company's 650 jobs, said Mr

Richard Bruton, enterprise and employment minister. The government cash grant will be matched by GPA which will also sell its 30 per cent share. Lufthansa and Swissair, each with 35 per cent of the company, will not provide new equity but will provide it with extra work. Shannon Aerospace is reported to have lost more than If9m last year, bringing accumulated losses to If27m, and is projecting further losses in 1995 and 1996.

Mr Bruton said the package would allow the company to increase the workforce to 855 by the end of the decade.

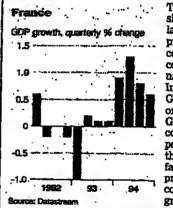
Opposition parties, however, thought it difficult to enforce without firmer guarantees from Lufthansa and Swissair. John Murray Brown, Dublin

Ankara bars Dutch deals

Turkey has placed the Netherlands on its "red list" of retaliation for the Dutch refusal to ban the opening session in The Hague of a Kurdish parliament-in-exile two weeks ago. The Dutch government said the meeting broke no laws and ignored Turkish pleas for it to be prohibited. Turkey had already recalled its ambassador in protest. Ankara claims the 65-member parliament is a propaganda organisation for the Kurdistan Workers party, which has been fighting security forces in southeastern Turkey for the past 11 years. *John* Barham, Istanbul

ECONOMIC WATCH

French growth picks up



The French economy grew slightly faster than expected last year. Gross domestic product rose at least 2.6 per cent against a forecast 2.5 per cent, according to Insee, the national statistics institute. Insee publishes two sets of GDP figures, one annual and one quarterly. The former put GUP growth at 2.6 per cent compared with a decline of 1.4 per cent in 1993; the latter put the rise at 2.7 per cent after a fall of 1.5 per cent the previous year. The statistics confirmed, however, that growth alowed in the final quarter of last year, with GDF

in the period expanding by 0.6 per cent compared with 0.8 per cent in the previous quarter. Insee attributed the recovery last year to a sharp fall in inventories and a 6.4 per cent rise in exports. Consumer spending and investment remained sluggish. John Ridding. Paris

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THE MANAGE APPLICATION

Patrick Harverson, Emma Tucker and Bernard Simon on the rise and rise of prices protection for car sales

ew people in the paper industry are surprised that the European Commission has launched an investigation into the recent sharp rise in newsprint prices. Between last September and January, the price of newsprint in Europe rose from about DM700 (£320) a ton to DM950 a ton, and producers are expected to raise their prices at least another 20 per cent when contracts are renegotiated in July.

With such a rise in the cost of their main raw material, newspaper gronps and other publishers are being hit hard. Yet, when investigators arrived on their doorstep this

week, the newsprint producers would have had a ready and plausible answer to the questioo of wby prices have risen so sharply in such a short space of time.

First, the price of the raw materials which go into making oewsprint bas increased considerably in the past year. Mr Jeffery Bartlett, director general of the British Paper and Board Industry Federation, says: "The two main raw materials of newsprint are woodpulp and waste-paper, and the cost of woodpulo in the last 12 months has more than doubled, and the same thing has happened in waste-paper

Second, the demand for newsprint over the past year has risen sharply, especially in the US where rapid economic growth has fuelled demand for paper. But after a prolonged recession in the industry, there has been insufficient produc-

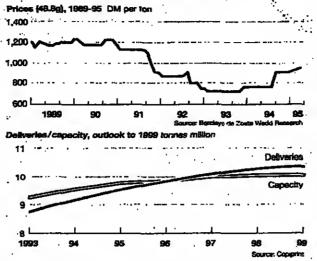
tion capacity to meet the rush

Mr Kevin Lyden, chief executive of the UK paper producer Shotton, says: "One and a half million tons of capacity was removed from the worldwide market during the recession. With the upturn in consump tion in western Europe and Nnrtb America, and the blg boom in south-east Asia, there is just not enough paper to go

The shortage of newsprint is a global, rather than European, problem. In North America, newsprint producers are due to raise prices again on May 1, bringing the average transaction tion price to about \$675 (£417) a ton, compared with a low of \$420 a ton at the beginning of

The rising cost of raw matenounced than in Europe. Prices of northern hleached softwood kraft pulp, the industry benchmark, are due to rise to a record \$925 a ton next month from \$390 in mid-1993. As for waste, or recycled paper, three years ago North American municipalities paid recyclers to remove waste-paper. Today, old newspapers fetch as much

as \$140 a tonne in California. Few observers of the paper industry believe that newsprint prices have risen because producers have colluded to suppress production. Mr Mark Diverio, analyst at UBS Securities in New York, dismissed suggestions of price fixing among producers. "We seem to get these types of investigation every time prices go up rapWestern European newsprint



idly. Paper is a commodity business. It functions by supply and demand, pure and sim-

Ms Sonia Falaschi, paper analyst at UBS, agreed. "It is most unlikely that there's been a cartel because newsprint can be shipped all around the world - if you can buy it cheaper in America (than in Europe], you do."

Even the consumers of newsprint are not convinced of the collusion argument. The newsprint buyer at one of North America's biggest newspaper publishers acknowledged that newsprint has traditionally been subject to wide price raids at the agents' offices of plus it earns t swings and that the 35 North the hig newsprint producers good headlines.

American producers would find it difficult to co-operate in setting prices.

His point was echoed by a senior executive at a UK newspaper group, "The balance of supply and demand in this business is very fine. You can go from feast to famine very quickly. We have seen no evidence of overt fixing of prices."

the EU is now investigating as many as 40 newsprint producers for evidence of collusion. The EU launched its inquiry on Tuesday morning when national competition authorities carried out synchronised

across the EU. They gathered papers and computer files for investigation by EU competition officials.

The Commission's competition directorate - DG4 - has told the companies raided that the investigation could take between three and six months. although many cartel investigations have taken a lot lon-ger. An investigation into a cement cartel which reached a climax last year took five

The Commission bas to establish whether the newsprint producers were acting together to distort competition either by fixing prices, by age of newsprint, or by agreeing to share the market.

If it decides they were operating a cartel it can in theory fine the companies up to 10 per cent of their total turnover, but the final calculation is usually hased on the EU turnover in the product concerned.

Last year the Commission imposed record fines on steel beam producers, cartonhoard manufacturers and the cement industry. Fines were highest for the cement producers. Thirty-three companies had to pay penalties totalling Ecu248m (£195m) after the Commission found that they used secret agreements to rig the market.

Yesterday a Brussels-based lawyer said: "It really is the season for cartel busting. DG4's pursuit of cartels has become much more politically correct than it used to be plus it earns the Commission

By Emma Tucker in Brussels

The European Commission yesterday voted to allow Europe's car industry to maintain a protected system of vehicle distribution, in spite of criticism from consumer groups who maintain the system inflates car prices in Europe by 10-15 per cent.

Mr Karel Van Miert, the commissiooer responsible for competition policy, said a new framework exempting car manufacturers and their dealers from normal competition rules. hut with certain important modifications, would replace the existing rules in Jime." However, commissioners

were unable to agree whether the new regulation should last for seven or ten years. In spite of the modifications. the regulation allows manufac-

turers to continue to choose which dealers they supply and to limit them to selling only one brand at one location, while permitting dealers exclusive franchises within designated territories.

The Commission justified the

By Andrew Fisher in Frankfurt

The Bundeshank is worried -

not just about the D-Mark's

strength, mooey supply or the budget deficit, all of which it

watches keenly - but ahout

Yesterday it stressed the

need for changes in wage and

tax policies to improve compet-

itiveness and belp employment

strength as doubts grow about

Germany's long-term economic

"Unemployment has reached

a level which is macceptable

over the long term," It said in

its annual report. This had led

to a high fiscal hurden which

ultimately had to be home by

those in work and "threatens to endanger the basis for eco-

nomic growth and increased

health.

long internal fight between the competition and industry directorates in Brussels - on safety and economic grounds.

The granting of exclusive distribution and servicing agreements promoted "the establishment of a relationship of trust between manufacturers, dealers and consumers in respect of a highly specific product," it said.

But consumer groups, criti-cal of intense lobbying by the car industry in Brussels, said the interests of consumers were being oeglected.

"The fact that some commissioners support a seven rather than 10 year period is positive. The shorter period, if finally adopted, will send a clear signal to the car manufacturers that their future lies in competing in the market place and not in hiding behind regulations and exemptions from the competition rules of the treaty," said BEUC, the European consumers organisation.

Another justification used by

the Commission for maintaining the system was that the

about unemployment

allows easy monitoring of Jap anese vehicle movements and thus helps it manage the EU-Japan understanding under which Japanese car imports to the EU are monitored during the transition to an open EU

market for cars by 1999. The modifications in the new regulation include: allowing dealers to distrib-ute more than one make of car

provided this is done on separate premises, under separate management, with no possible confusion between the makes. the manufacturer and the dealer setting joint sales targets. These were previously decided by the manufacturers allowing dealers to obtain spare parts other than those of the manufacturer if they are of equivalent quality

garage owners access to the technical knowledge required for repairing vehicles The text of the regulation has to be presented to a consultative committee of member states to be finalised by the

allowing independent

High prices spur lifting of curbs in India

By Shiraz Sidinya in New Delhi

The Iodian government was forced yesterday by rising international newsprint prices to remove controls on imports. The New Delhi government acted after a powerful body of Indian newspaper editors threatened to keep newspapers off the stands today if their demands were not met.

Mr P Chidambaram, minister of commerce, told parliament that newsprint would be placed under the government's "open

general licence" scheme, which meant it could be imported without a licence, Imports would continue to be duty free, as international newsprint prices were currently higher than domestic ones, he said.

Large newspapers with an annual entitlement of more than 200 tonnes of newsprint had been required to buy two tonnes of local newsprint for every tonne imported.

Mr Chidambaram said the measure had been prescribed to protect the local newsprint

hard hy fluctuations in the prices of imported newsprint, The Indian Newspaper Society, representative of more than 750 newspapers, has pro-

tested to the authorities about the sbarp increase in newsprint prices in the past six months. It ran front-page advertisements in indian newspapers last week, asking: "Is the free press in India really free with continuing controls on newsprint?

industry, which had been hit costs bad risen to Rs27,300 (£542) a tonne, a 46 per cent increase in six months, "The very viability of the newspaper industry has been called into question, threatening the democratic process itself," the advertisements said.

> Large newspapers, which met a third of their newsprint demands through imports, also protested against the ratio because indigenous production is not sufficient to satisfy their

The society said newsprint... Mr Chidamharam sain the structure of local paper mills.

government did not want to render the domestic industry 'sick" because of high imports. He said corrective steps such as tariff adjustments would be taken "as and when required" if the industry could justify its demand for tartiff protection.

Mr Vishwa Bandhu Gupta, president of the Indian Newspaper Society, welcomed the announcement. The strike was called off. The society has called for an independent agency to evaluate the cost

Noting that unemployment totalied 3.7m last year (9.6 per cent of the workforce), the bank said companies were dislabour by pay levels, a high tax burden and legal and structural rigidities. High pay rises in 1995 and the D-Mark's rise would hinder economic growth his rival's presidential bid as

and employment. Last month, concern over the johless prompted the country's six leading economic research institutes to urge the government to limit the tax burden and stimulate demand. investment and johs. They

West Germany

Bundesbank voices fears

29.5 -29.0 -28.5 -27.5 in a debate which is gathering 27.0 -26.5 1965 70 75 80 85 90 94

decline of only 203,000 this

Politicians and unions have also discussed with Chancellor Helmut Kohi ways of making the lahour market more flexihie. Some union leaders favour Saturday working and shorter working weeks at reduced pay

While making no firm recommendations, the Bundeshank was clear on where it saw the

need for action: • Laws and regulations to protect against redundancies and mitigate the impact of cuts in the workforce take into account the needs of those in work, hut "largely exclude the interests of those seeking employment". Such laws limit companies' readiness to take

also bampered by restrictive shopping hours and by planning hurdles to setting up new business zones.

• The high employee social costs boroe by companies, and the high level of social security costs paid by employees themselves, have made labour more expensive and held back the rise in purchasing power.

 Increased wage differentials could belp create jobs. It questioned whether pay differences by sector, region, experience and qualification were large enough to comhat structural unemployment. Also, the pay round, in which the first hig settlement sets the pace, does not take enough account of varied conditions in different

industries. · Pay deals should meet the needs not just of those in work but also of the unemployed. It commended the 1994 chemical wage settlement allowing for lower pay to encourage companies to take on long-term paper industry had followed

The stability-minded Bundes hank rejected the argument that unemployment should be dealt with by more expansive fiscal or monetary policles. Since monetary policy affected sbort-term juterest rates, a relaxation would oot stimulate investment: more than 80 per cent of bank loans - industry's most important external finanforecast an unemployment on new people. Competition is cing source - are long term.

Kinnock backed on aviation mandate

By Caroline Southey

Mr Nell Kinnock, EU commissinner for transport, vesterday won unanimnus backing from EU commissioners for a proposal which would give Brusseis a wide-ranging mandate to negotiate civil aviation deals with the US. Mr Kinnock was given

strong backing at a Commission meeting particularly from Mr Jacques Santer, president of the Commission, and Sir Leon Brittan, EU chief trade negotiator. But he faces stiff nppnsition from member states, particularly Britain, when the proposed mandate is presented to transport minis-

Mr Kinnock's proposal follows his objection to far-reaching aviation deals between the US and six EU member states. Austria, Finland, Sweden, Denmark, Luxembourg and Belgium have so far resisted his requests that they stop negotiations. Sweden and Den-mark were due to fullow the others and initial the agreements yesterday.

The draft proposes that member states cede all negotiating rights on civil aviation matters to Brussels. It pro-poses a framework for existing and future aviation deals with the US but guarantees the continnation of bilateral agreements which are more liberal than any eventual EU accord with the US, providing they are compatible with EU law.
Mr Kinnock said the man-

date would ensure competition in civil aviatinn "on fair terms". "Without it we will witness ... a policy that is not just America first, but America first, last, both ways across the Atlantic and within and the Atlantic and within and beyond Europe," he said. The mandate proposes recip-rocal access for EU and US car-

riers, including the right to intra European and intra-US flights, and measures "to avoid market disruption and unfair competition". This would include addressing issues such as computer reservation systems, slot allocation at airports, US anti-trust laws and Chapter 11 under which US companies can continue while technically bankrupt.

Chirac mixes a fresh strategy

John Ridding on new tactics by the Elysée front-runner



Jacques Chirac hands an autograph to a supporter in Orleans BA

National Front.

Taking a turn towards the right, Mr Chirac seized on the issues of urban blight, immigration and security which had taken Mr Le Pen to his record vote. Describing many urban areas as "zones beyond the law" he warned: "If we con-tinue down this slope we will end up with law and order confiscated by ethnic or religious groups." He pledged increased policing and special training for the forces of law and order m difficult areas.

Pen, leader of the extremist human rights should act without guilt, but also without weakness." Presenting the prevention of illegal immigration as a "major state duty", he promised a stringent review in June of the Schengen accords which have lifted border controls between France and its EU neighbours. In venturing into Le Pen ter-

ritory, however, Mr Chirac was careful to distance himself from the National Front leader. To reassure the bulk of Mr Balladur's troops and to rally the centre-right to his cause, As for immigration, Mr Chithe mayor of Paris struck a

"legitimate" he also sought to paper over apparent policy dif-ferences.

But making up is proving hard to do. Mr Balladur turned

down a meeting with Mr Chirac and retreated to his home in Chamonix. While seeking to play down

the Gaullist rift, Mr Chirac's camp is turning up the fire on Mr Jospin. "The Socialists left a legacy of an asphyxiated economy and a system of val-ues in crisis", said Mr Chirac, hlaming the French left for a return to inequality and poverty and Mr Jospin for being involved in the decline.

By holding his first secondround rally in Orleans, the Paris mayor was aiming not only to capitalise on the sym-bolism of Joan of Arc, the local heroine and a champion of the French right. He was also picking a strategic target. The first round had seen a strong showing for Mr Jospin in most of the departments of the surrounding Val de Loire region, while Mr Le Pen won 18 per cent of the vote in Eure-et-Loire, to the region's north. Despite Sunday's setback, Mr

Chirac is still on course for the Elysée. But to get there he needs to maintain his balance Mr Robert Hue, national secretary of the French Communist party, who garnered 8.6 per cent of the votes in last weekend's first round of voting, called yesterday on Communist supporters to vote for Mr Jospin, the Socialist contender, in the second round of the presidential election.

Finns bemused as \$374m subsidy drops on the mat

By Christopher Brown-Humes In Stockholm

Bemused Finnish finance ministry officials were yesterday trying to establish how an Ecu 280m (\$374m) subsidy to cushion Finnish entry into the European Union was completely overlooked for more

The windfall means the country will receive FM7.6bn (\$1.78bn) from Brussels this year, 25 per cent more than originally thought, making it a net recipient of EU funds. Finland secured the one-off

than a year.

subsidy as a last-minute concession for its farmers during its EU accession talks in March 1994. Yet it did not come to the attention of the finance ministry until well after the coun-try's admission to the EU on January 1 1995.

"It's a mystery," explained Mr Erkki Virtanen, the finance ministry's budget director. "It seems there's heen a break-

6 per cent decline in gross

down in communication." He stressed it was not the fault of officials in Brussels, but an internal matter hetween the Finnish agriculture and finance ministries.

Agriculture was the single biggest issue in Finland's EU accession talks as the country's long-pampered farmers faced a drop in income from having to lower their prices by as much as 50 per cent to reach

According to Mr Virtanen, when Finland drew up its 1995 hudget last September, the agriculture ministry failed to notify the finance ministry about the concession.

"It seems the people we were talking to were not the same

people who knew about the subsidy, he says. The matter only became apparent when the state treasury office began noticing unusually large sums of money arriving from Brussels at the start of this year. Even then,

thought to have been made in error. The finance ministry finally realised what had happened last month. Mr Virtanen acknowledges

that it is not a particularly glo-

rious episode in Finland's drive for fiscal rectitude and an unfortunate one given the poor state of the country's finances. He stresses that the funds will be used to plug the country's FM30bn general goveroment financial deficit. Which is about 5.5 per cent of gross national product. Finland's 130,000 farmers will not get any of the money as they bave already been compensated for loss of income through a separate national support package. An inquiry is under way to find out exactly what bap-pened, but Mr Virtanen doubts

there will be any scapegoats. "When you get an extra Ecu 280m it's not as serious as when you lose the same amount of money," he stresses.

Filip for Turkey as \$500m loan package agreed

By John Barham in Istanbul

Turkey's signing yesterday of a \$500m three-year loan package, put together by US and Japanese banks, marks the country's rehabilitation after its financial crisis a year ago and paves the way for a further \$2bn to \$2.5hn in loans later this year, according to Turkish

difficult manneuvring ahead of

The Gaullist mayor remains

favourite to succeed President François Mitterrand. But he

faces the tough task of winning

voters from the far-right candi-

dates, who garnered one fifth of Sunday's poll, without forc-ing existing supporters and

centrists into the arms of his

Socialist rival. He must also re-establish unity within the

Gaullist party, split hy the can-

didacy of prime minister

Edouard Balladur. In Orleans, on Tuesday, Mr

Chirac laid down his strategy. Fierce criticism of Mr Jospin and the Socialists was mixed

with a conciliatory stance

towards eratwhile Gaullist

rivals and a targeted appeal to supporters of Mr Jean-Marie Le

the second round on May 7.

officials.
For the 18 participating banks, the loan is also more than a business deal. "This is not a market-driven transaction," said Mr Anjum Iqbal, Citibank's senior regional exec-

ntive. "It is relationship-driven. It is to show that in [Turkey's] time of need, these are long-term players." in January, the government sent international banks a letter warning that future business in Turkey would depend

loan. In addition to Citibank, which plans to expand in Turkey, banks participating in the operation include Chemical Bank, which is looking at privately-financed infrastructure deals, and invest-

sation mandates, such as Gold-man Sachs and J.P. Morgan. Japanese hanks bave also become large lenders to the Treasury. Therefore the likes of Yamaichi, Nomura, and Bank of Tokyo feature prominently on the list of particion their support for the \$500m pants.

\$252m-worth of floating rate notes designed to appeal to the investment banks. The remaining \$248m is a conventional syndicated loan. The government will use the money to cover the budget deficit and ment banks hoping for privati- finance foreign deht repay-

two months. The package will cost Turkey 3.5 per cent over Libor (the London interbank offered rate), expensive by present standards, hut considered cheap when the loan was first proposed late last year. The government was then reduced to rolling over its \$12.5bn domestic debt every three months at

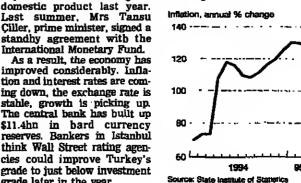
ments of \$2.1bn over the next

ing its debts. This was the result of a balance of payments crisis last spring that led to a devastating

steep interest rates. It was

Last summer, Mrs Tansu Ciller, prime minister, signed a standhy agreement with the International Monetary Fund. As a result, the economy has improved considerably. Inflation and interest rates are coming down, the exchange rate is stable, growth is picking up \$11.4hn in bard currency reserves. Bankers in Istanbul

even on the verge of reschedulthink Wall Street rating agencies could improve Turkey's grade to just below investment



Turkey



World poverty set to increase

By Robert Chote in Washington

About 750m people go hungry every day because they are in extreme poverty, according to a World Bank *study.

The number of people going hungry has fallen in recent vears, but the number in poverty is projected to increase. If current growth trends continue, 1.3bn people are expected to be surviving on less than a dollar e day by the end of the decade. This is almost 200m more than in 1990.

Mr Harry Walters, adviser for the World Bank on food security in Africa, said the proportion of the world's seriously malnourished people in Africa was set to rise from 20 per cent now to 45 per cent by 2010. The Bank said the best strat-

egy to reduce poverty and hunger was to promote hroad-besed sustainable economic growth. This means that the penefits of economic expansion has to spread widely across the population, and not be confined to the relatively well-off.

The Bank recommended measures to eliminate hiases against employment in trade policy, regulation, tax structures, labour laws and financial sector policies. Covernment spending had to be focused on basic education, healthcare and growth enhancing public investment.

The study also argued that millions of country-dwellers were kept in poverty because policy was biased towards citydwellers. Agriculture was suffering in many areas because of overvalued exchange rates, industriel protection policies and sometimes export taxes. The Bank conceded that pov-

erty among some groups might increase in the sbort term if the economic reforms it suggested destroyed jobs by reducing government spending and eliminating protection for

inefficient industries. Mr David De Ferranti, director of the Bank's population health and nutrition department, said that problems arising from shortages of nutrients such as vitamin A, lodine and iron could be solved worldwide at a cost of just one dollar per person per year. "So if you add all that up, we are just talking about a few hillion dollars worldwide to solve these problems. No-one knew that rive years ago." be said.
*The World Bank's Strategy for

Reducing Poverty and Hunger, by Hans Binswanger and Pierre Landell-Mills, World Bank

Ministers urge action to cut deficits

By George Graham in Washington

Fiscal consolidation has come to e standstill in many industrial countries and mediumterm strategies to reduce fiscal deficits remain inadequate, finance ministers attending the IMF's policy-setting Interim Committee said in Washington yesterday.

Members of the Interim Committee, which includes 24 finance ministers representing both industrialised, industrialising and developing countries, said that "fiscal consoliefforts

By Robert Chota

Mr Kenneth Clarke, the UK chancellor, yesterday warned the International Monetary

Fund's policymaking commit-

tee that creating a special facil-

ity to help countries facing Mexican-style financial crises

risked sending an undestrable

signal that the international

community stood ready to bail

interim committee that creat-

ing e new facility might mean

that money would be provided

without exerting sufficient

pressure on the countries con-

cerned to take policy measures

which would resolve their

"The Fund's founders were

underlying economic problems.

right to recognise that it is pol-

icy action, as well as finance, that is the remedy to fiscal and

Mr Clarke told the IMF's

in Washington



disappointingly weak," according to a summary prepared hy the committee chairman, Mr Philippe Maystadt of Belgium. After a separate meeting ahead of the Interim Committee, the G10 - which adds Belgium, Sweden, Switzerland and the Netherlands to the Group of Seven leading industrial

nations (G10 has 11 members)

balance of payments crises," Mr Clarke said.

remain exceptional, and resources should not be pro-

added. He said the Fund's

finances would remain ade-

quate for the time being,

although its liquidity was

expected to decline from the

The chancellor said that if

the Fund suddenly needed

more resources to cope with a

Mexican-style problem, then its

first resort should be to raise

finance from the so-called "General Arrangements to Bor-

row". The GAB allows the

Fund to borrow usable curren-cies from 11 industrial coun-tries plus Saudi Arabia. This

was used to finance the UK's

horrowings from the IMF in

1977 and a year later, to finance lending to the US.

Against the D-Mark (DM per 5)

record levels of recent years.

vided for this in advance."

Exceptional access should

Clarke opposes

rescue fund

efforts to tackle budget defi-

Echoing the communique issued by the G7 on Tuesday night, the G10 finance ministers and central bank governors said that the recent decline of the dollar and appreciation of the yen and D-Mark had "gone beyond the levels justified hy underlying economic conditions." They called for "sound economic policies aimed at sustainable non-inflationary growth" to restore financial markets' confidence. In the Interim Committee, the US was singled out for par-

ticular criticism for its failure to take stronger action to reduce its budget deficit, while members said Japan needed to do more to deregulate and to open its markets.

Mr Robert Rubin, the US treasury secretary, has come under fire this week from his counterparts, who have been worried that the dollar's sharp fall in the foreign exchange markets over the last two months has been caused in part by worries that the US budget deficit is about to start increasing again.

Mr Rubin, while noting that the US budget deficit - projdomestic product in 1995 - is smaller in relation to the size of its economy than that of any other major industrialised country. He has reassured his colleagues that he and President Bill Clinton remain committed to further deficit reduction, and will not allow Congress to cut taxes unless it

spending reductions. But Interim Committee members yesterday said that fiscal consolidation in the US and elsewhere needed to be tackled now, while the world economy is expanding.

fully offsets those cuts with



Britain's chancellor, Kenneth Clarke, with Italian premier and finance minister Lamberto Dini A

"Since the GAB has not been activated since 1978. I suggest its mechanisms will need to be reviewed. And since the amounts evailable were agreed in 1983, they too could be This would involve increas-

reviewed," Mr Clarke said. ing the number of countries the IMF could call on under the arrangements, by including newly industrialising countries which had built up substantial foreign exchange reserves. This would help increase the amount that could be raised from the GAB from its current

Mr Clarke said he was not yet convinced that what might be a temporary shortage of liquidity justified a permanent

response. But he added that the UK would be prepared to consider an increase in quotas. the subscriptions which in effect determine each country's shareholding in the Fund.

The UK does not favour market borrowing hy the IMF, which could change the whole character of the Fund as a

Mexico states 'worst is over'

Mexico expects economic recovery to start in the final quarter of this year and that 1996 will be a year in which growth will resume, Mr Guillermo Ortiz, the minister of finance, said. Mr Ortiz told the spring membership meeting of the

Institute of International Finance that the "worst is over" as far as Mexico's financial crisis is concerned, thanks partly to the large international financial support package agreed

The minister told his audience of bankers that he thought Mexico would not need to draw on that part of the package arranged through the Bank for International Settlements in Basie. Earlier this year the BIS, which is the central bankers! bank, said it was prepared to provide up to \$10bn (£6bn) for Mexico. However, BIS support always seemed the shaklest piece of the international operation because several of the European central banks which were expected, with Japan, to provide the funds were unenthusiastic about the project.

If Mexico does not need BIS support, the scale of the support package will fall to \$37.8bm, with \$20bm provided by the US and \$17.8bm from the International Monetary Fund.

Mr Ortiz said that Mexico had been abla to repay \$16bn of public sector debt in the first quarter of this year and faced a reducing problem of debt amortization over the rest of this year. It expected debt repayments would be \$9bn in the current quarter, falling to between \$6.5bn and \$7bn in the third quarter and \$4.5bn in the final three months of this year. Mr Ortiz said that recent improvements in Mexico's public finances as well as buoyant stock and bond markets and e stronger peso in recent weeks pointed to an improvement in the Mexico's economic outlook. An analysis of recent US trade figures suggested that Mexico's foreign trade surplus was higher than stated in official Mexican figures.

Mr Ortiz warned that while Mexico was now past the worst of its financial crisis, it faced continuing problems in the real economy, Including rising unemployment. Peter Norman

Bundesbank criticises Fund

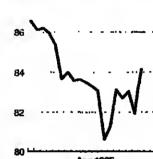
The Bundesbank criticised the International Monetary Fund yesterday for becoming too involved in expanded long-term financing programmes and not sticking to its role as an adviser and provider of temporary finance to countries in

In its annual report, the German central bank said the Mexican currency crisis showed that the IMF's monitoring of the economies of member countries was inadequate. . The bank said the IMF should concentrate on helping countries achieve currency and economic stability and thus contribute to a stable international monetary system. This would create favourable conditions for growth, employment and development. "The strongly expanded financial commitment of the IMF through long-term adjustment programmes with a marked growth orientation is hard to bring into line with this understanding of its role," the Bundesbank said. Andrew Fisher, Frankfurt

Dollar stages surprise rally despite lack of action by G7 Credit Lyonnais in London, Mr Mark Cliffe international

Dollar enloys respite.

Against the yen (V per S)



Apr 1995

By Phillip Gawith

The dollar yesterday rose sharply on the foreign, exchanges, surprising analysts who had predicted it would fall when the G7 meeting in Washington failed to produce a substantive support package for the US currency. There were reports of dollar

buying by US investors who felt the currency now offered view is that it still has further to fall. The market eppears, how-

ever, to have retreated from extreme pessimism about the

two-way trade, a change from recent trends in which there was only interest in selling

The politicians and bankers in Washington wasted no time trying to talk the dollar up fur-Mr Yasuo Matsushita, governor of the Bank of Japan, said:

"I welcome the market's assessment of the dollar. I hope this will be sustained." finance minister, said: "I hope this will continue."

The initial response to the G7 communique was negative, with the dollar falling to Y81.20 before the the Bank of Japan

stepped In to support it. The central hank's efforts were helped by rumours about the death of Chinese leader Mr Deng Xiaoping, which encouraged dollar buying.

The dollar's subsequent rally was also helped by comments from Mr Hans-Juergen Krupp, a Bundesbank council member. suggesting that German interest rates might have further to

tation of the dollar falling after the G7 meeting had been so well telegraphed as to encour-

age the reverse. Mr Mike Cornford, head of global foreign exchange at

made such a huge downward move in the dollar, needed rather than good news to buy. the dollar, more bad news to The dollar rallied by about

said: "The market, having

three yen and two D-Marks before closing in London at Y84.125 and DM1.3811. However, the fragility of G7

efforts to support the dollar from Mr Larry Summers, the US Treasury under-secretary. who told the German newspaper Handelsblatt that the Germans were champions at sayeconomist at HSBC markets in London, said: "That is quite a strong thing to say only hours after a communique calling for closer co-operation.

Mr Summers emphasised that his comments were intended as criticism among friends, but noted that the US had had to accept a lot of criticism from European countries, especially Germany.

to be fairly short-lived. Analysts said that, for e move of this consequence to he reversed, a fairly important economic or political event was

S Africa

ponders

Japanese

bond issue

By Mark Suzman in Pretoria

Russians sign deal to develop Iraq's oil and gas fields

By John Thornhill in Moscow

Russie has signed en agreement to help develop Iraq's oil and gas fields, securing a strong position in the scramble for business which is expected to follow any relaxation of United Nations sanc-

Following a visit by e Russian ministerial delegation, Iraq has granted Russian com-

southern Iraqi fields of north Rumeila and western Kurna, which are among the biggest in the country. According to Russian estimates, these two fields are capable of producing 60m tonnes of oil a year, equivalent to ebout one-fifth of Russia's total output. Mr Hadi Jewad. Iraq's oil minister, explained the egreement by saying: "The Russians are our friends - we

Russla's overtures to Iraq

may give e further tweak to US-Russlan relations which have grown increasingly strained. The US has been fiercely critical of Russia's decision to sell nuclear technology to Iran and epplied considerable diplomatic pressure for the project to be cancelled. But Russia is reluctant to

panies the right to develop the southern Iraqi fields of north them." abandon a highly lucrative purpose. Russia had extensive contract and insists the technology will only be used for peaceful purposes.

The UN imposed sanctions on Iraq after its invasion of Kuwait in 1990 and they have been maintained ever since chiefly at US insistence. However, several countries, including Russia, have called for an easing of the sanctions, arguing that they now serve little

oil industry interests in Iraq before the Gulf war and is owed more than \$10bn (£5bn) by Baghdad.

Mr Yuri Shafranik, Russia's minister of fuel and energy, who was leading a 22-person delegation to Iraq, said work would begin on the oil projects as soon as sanctions were relaxed. The agreement was struck after the delegation met Iraqi President Saddam Hussein and Mr Tariq Aziz, the Mr Yuri Agababov, deputy

general director of Zarubezhneft, a Russian oil company which is part of a consortium formed last winter to develon possible projects in Iraq. said Russian companies were keen to maintain "the strategic initlative" before western companies entered the merket

multinational oil companies, particularly from France, have also been jostling for position ahead of the lifting of sanc-

In Fehruary, Mr Vladimir Zhirinovsky, the inflammatory Russian nationalist, visited Baghdad and urged the Moslems and Orthodox Christians to unite in opposition to the

The South African government said yesterday it was considering launching a Japanese bond issue of between Y25bn-Y30bn (£190m-£229m) early next month, pending the success of

e international tour hy senior finance officials. Mr Chris Liebenberg, finance minister, said that he, along with Mr Chris Stals, governor of the South African Devernor of the South African Reserve

Bank and Mr Jay Naidoo, the minister without portfolio charged with running the government's reconstruction and development programme, would leave shortly for New York, London, Zurich and Tokyo. Mr Liebenberg said the aim

of the trip was to keep foreign investors abreast of recent economic developments in South Africa but that the government would consider taking out a loan in the Japanese market at the conclusion of the presents tions "if the market seems agreeable and fertile".

Mr Liebenberg said that while South Africa did not need to look internationally to meet its borrowing require ments for the year, it would consider a Japanesa issue because of the need to set a benchmark in that market for other South African issuers.

He also pointed out that South Africa was currently highly underborrowed in terms of foreign denominated loans. with existing debt amounting to just 14.2 per cent of GDP, well below the World Bank's recommended guidelines of between 30-50 per cent of GDP for "moderate" debtor countries. "We don't have to make any issues, but if the margins are good and the response is. keen we will go ahead."

Fresh miracles will be harder to achieve

Channel 5 Digital Television plc

Had a hunch that terrestrial digital television could mean more than just

hundreds of the same old TV channels from the existing programme You've spotted that the future of terrestrial digital television is as the busy central tane of the Information Superhighway - meeting the market needs of a multiplicity of Interconnected Individual viewers (like the Internet does now). The old business model for terrestrial television, with access to frequencies and control of content

determined by the tew irrespective of the dynamic desires of the many, is no longer valid in the face of digital compression and the individual empowerment of computer software. Frankly, you want your share of the digital action! Press reports indicate that 3 or 4 consortia will next Tuesday 2 May 1995 submit bids for the Channel 5 terrestrial TV licence to the Independent Television Commission (ITC). These consorte, according to the newspapers, seem to be made up of mejor media and communications industry players which already have

a considerable number of television and publishing interests between them. It seems quite possible that they will all be planning an analogue Channel 5 as just one more pre-scheduled, routine menu of 'ITV-lookalike' commercial television. We call on the ITC to question if any such single analogue service plan for Channel 5, owned and operated by existing media groups, is really the best use for what could now so readily be Britain's first open-access information Superhighway network for the nationwide delivery of digital broadband communications and multimedia services. We respectfully request the ITC, in line with its statutory obligations covering Channel 5, to consider the best interests of the UK and the building of an Information Superhighway which properly allows the UK and the building of an Information Superhighway which properly allows for a vigorous spectrum of competition, choice and quality, creating digital service diversity and fitness for purpose from and for multiple content users and providers

within accepted open interoperability principles. (We believe it can be done within the existing provisions of The Broadcasting Act 1990). We thank all those who have taken an interest in this company's unique digital Channel 5 aspranons, We confirm that we are continuing to work towards terrestrial digital television as a muscular component of the Information Superhighway, and on the integration of other 'hypergrowth' digital broadband technologies and

Back your hunch - make sure your company has a strategic plan to get a share of terrestnal digital television and related *Information Superhighway* opportunities (cybershopping, interactive TV, secure netsurfing software, PC-TV set integration, online multimedia...). Pleasa contact:

Channel 5 Digital Television pic 78D Newland Street. Witham. Essex CMB 1AH. UK Tol: (+44) 01376 510333/01621 891776 (24-hr); Fax: 01621 892563

Roger Matthews on the challenges that follow the first year of the new South Africa South Africa

South Africa is spending this week, the first anniversary of its multiracial, democratic elections, looking at itself in the mirror and exclaiming with pleasure. President Nelson Mandela,

hero to the nation and to much of the world, was out of bed early on Monday to declare that some of the achievements during his year in office had exceeded his wildest dreams. Before bedtime, Mr FW de Klerk, former president and now second deputy to Mr Mandela, forecast that "what is going to happen in South Africa in the months and years to come will overwhelmingly Such self-confidence should

he gratifying for a nation which, in the words of Mr de Klerk, appeared in the 1980s to be on a "hopeless downward spiral to self-destruction". The reversal of that process, which culminated in the election of a government of national unity led by Mr Mandela's African National Congress, was proclaimed miraculous. Future miracles will be harder to achieve, not least hecause South Africa will have to measure progress against an increasingly international The great echievement of President Mandela and Mr de Klerk was to coax South Africa cent which needs to be sustowards the starting line. where politically and economically it could begin to realise its potential. But South Africa lines up with the heavy burden of the apartheid years on its back, a society deeply divided hy colour, income, and opportunity, and conflicting demands from its people that only the most skilled political leadership can hope to resolve.

Black South Africans, who have an average per capita dis-posable income of the equivalent of \$1,000 a year, compared with nearly \$8,000 for whites, must be seen to be narrowing the gap. Instead a hlack-led government is having to persuade organised labour to accept a cut in real wages to help create jobs for the nearly 33 per cent of the workforce without employment and for the 400,000 young people who join the labour market each

At the same time the whitedominated business community, and the nation's most affluent citizens, warn against policies that could damage confidence (by implication, theirs) as the economy continues to emerge from recession. Growth this year should be

more than 3 per cent, but will

tained for more than a decade if a significant dent is to be made in unemployment. It will also have to be accompanied by yet tighter fiscal policies to reduce the hudget deficit below this year's target of 5.8 per cent of gross national product. The new South Africa wishes to travel the Asian growth

route, but through the creation of e political and economic consensus. It is intended that most important economic issues, and matters such as lahour relations legislation, should he resolved by the National Economic Development and Labour Council on which sits government, employers and unions. The final constitution is being drawn up by the Constitutional Assembly, formed by the national assembly and the senate, while the three main political parties are supposed to reach joint decisions in cabi-

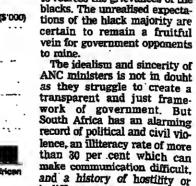
It is a system which inevitably imposes strains. Chief Mangosuthu Buthelezi, the minister of home affairs, has withdrawn his mainly Zulu Inkatha Freedom party from the Constitutional Assembly, primarily because the ANG will not concede the degree of

Per capita disposable Income (\$'000)

autonomy he wants for KwaZulu-Natal The IFP is openly discussing leaving the government before the local elections in November. Cosatu, the main trade union federation and political ally of

the ANC, is finding it hard to explain to members why it must make compromises when so little has been achieved in improved living standards or working conditions.

Mrs Winnie Mandela, estranged wife of the president and recently dismissed deputy minister, has been quick to spot an emerging political vacuum. The government, she declared, was doing more to soothe the whites than it was

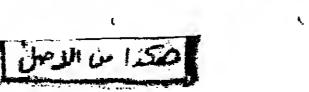


All of which makes it vital that ANC idealism is matched by the more pragmatic task of keeping in touch with grassroots supporters, and of avoiding all risk of being tainted by the accusations of corruption and patronage that were so much the hallmark of previous administrations.

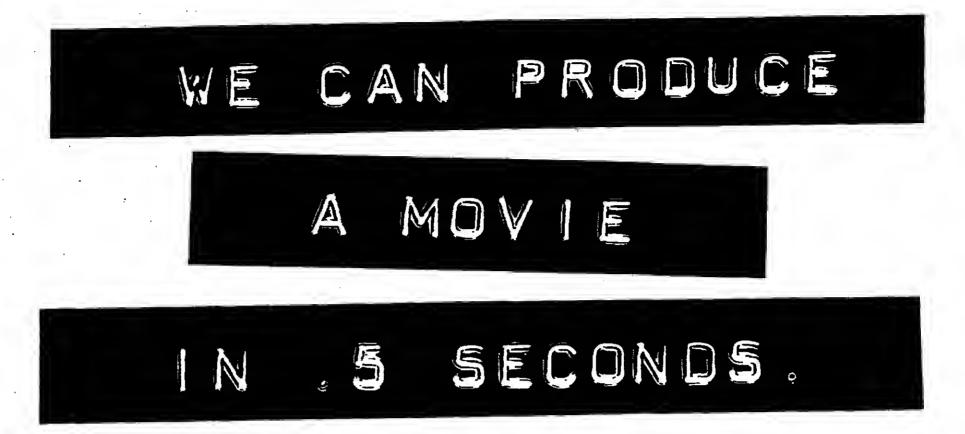
ANC leaders may be delighted by their first year in office, but their achievements are progressively less visible further down the economic and social scale where too many people have yet to be convinced that, materially, much

indifference to government which the ANC fostered and

would now be unwise to



vico states rst is over



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Early on we decided to do whatever it takes to be the

supplier of choice in this hugely important field.

And what it took was the development of immensely powerful network media server technology, built around the Alpha architecture and microprocessor, the fastest microprocessor in the world. Plus, superfast-access StorageWorks disk storage arrays and Digital Linear Tape Library systems.

Our GIGAswitch™ family of high-speed networking switches that link all the elements together.

And our Digital Media Studios, a global network of facilities for digitizing movies and developing new interactive applications for retail, education, healthcare and beyond.

It sounds complicated, but our strengths in managing complex networks have made it all completely modular and open, so much so that businesses, universities, hospitals, local governments and groups of all descriptions and sizes will be able to link up for just about any purpose.

Whether it is the sharing of instructional materials, exchanging medical diagnostic information or just being able to see "Godzilla Meets Megalon" without having to stay awake until 4:15 a.m.

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digital

m by G7

S Africa ponders Japanese bond issue

Warning on airline joint ventures in India

An Indian parliamentary committee yesterday warned against allowing foreign equity participation in domestic airlines, jeopardising a joint venture between Singapore Airlines and the Bombsy-based Tata industrial group to enter India's domestic aviation industry.

A report from the upper house's standing committee on transport and tourism tabled in parliament vesterday said the committee considered equity participation from foreign air-

When a country's economy

grows, its spending on health-care grows even faster. This

world war, and Asia is discov-

The Asian medical technology market, for example, will

expand by more than a fifth

this year, the Health Industry

Manufacturers Association

says. Healthcare spending is probably growing fastest in

Singapore, Malaysia and Thai-

land, hut the boom is conti-

expectancy in some Asian countries has risen 15 years

over the past two decades.

Asians, who previously died of

illnesses such as malaria, chol-

era or diarrhoea, are now liv-

ing long enough to succumb to

"western" diseases including

These require expensive

treatment, and as disposable

income rises, more Asians are

prepared to pay for expensive care. But they are less willing

to care for their elderly at

home. A study commissioned

by the World Bank found that

when a country's gross domes-tic product rises by 1 per cent, its spending on health rises hy

Asian healthcare spending

has a long way to grow. The

average Chinese household

spends just \$5 a year on health-

care, against a worldwide aver-

age of \$50. The US spends 14

per cent of its GDP on health,

1.4 per cent.

cancer or heart attacks.

The reasons are obvious. Life

ering this now.

on was learned by western countries after the second try "a dangerous trend".

The committee says the entry of foreign carriers would create "hnb and spoke" arrangements within the country, which could ruin Indian carriers. The report also objected to restrictions imposed on Air India, the national carrier, by other countries in

The only way we can survive is if we protect, for a short while, our own turf." the report states. "Equity particination at this stage would prove to be a death knell not only for small

Country

Europe

Latin America

** forecast

excluding Japan

while Thailand, Indonesia and

Malaysia spend 4 per cent or

Japan, which spends just

over 6 per cent, is the only

Asian country so far to have

cut prices of pharmaceuticals: a nearly universal practice in western countries. The boom

extends to almost all sectors of

the Asian healthcare market,

from crutchmakers to hospital

Wealthy Chinese can now go

to private hospitals in their

own country instead of flying to Hong Kong for treatment. National Medical Enterprises

of America has set up a kidney

dialysis clinic in Guangzho, China, in a joint venture with a Chinese state company.

The private medical insur-

ance market is starting to

grow, too. Before, Asians paid

for bealthcare by cash or credit card. Bupa, the British medical

insurers, has been in Hong

Kong for years and has advis-

ers in many Asian countries. It

is planning to expand into

Healthcare for the elderly -

the "silver industry" - is grow-

ing at 12 per cent a year in Japan, according to Barings

China after 1997.

private airlines, it will also hit Indian Airlines (the state-owned domestic airline! badly.

Although the report did not name any foreign airlines, Mr Pramod Mahajan, chairman of the committee and Bharatiya Janata Party MP in the upper house, has vocally opposed the Rs18bn (£356.6m) Tata-Singapore Airlines venture. The proposed new airline, envisaging 40 per cent equity from SIA and 60 per cent from Tata, has been awaiting clearance from the government's foreign investment promotion board since February 6.

"Singapore Airlines has such a per cent. A senior Singapore Airlines gigantic fleet that they could swamp executive said delaying the proposed the domestic industry with aircraft, killing all the other airlines operating here," Mr Mahajan said. Mr Pramod Mahajan is an influential MP from Maharashtra, India's most industrialised state, where his party has formed a government with its more militant ally, the Shiv Sena.

Singapore Airlines executives said the new venture would not affect Air India. They claim that even at its full potential, the proposed airline would have a market share of less than 20

joint venture would benefit existing private operators which did not have the resources to set up the engineering and training facilities SIA would

Many industry sources agree that a strong airline with high standards would improve the quality of Indian domestic aviation. "Ultimately India has to decide if it really wants foreign players in its domestic industry," an airline executive said. India privatised domestic aviation two years ago.

Healthcare spending set Indonesian hospital to race ahead in Asia venture considered Percentage Growth Rates For Medical Technology Markets.

1965-89 1991-1993 1994-1995

Securities. Hong Kong is plan-

ning rehabilitation services for

3,900 chronically ill patients. This and other projects have raised the Hong Kong govern-

ment's spending on health by

per cent over the past year.
Yet Asian governments will
not finance the hulk of the

increase in spending. The

World Bank has advised gov-ernments to cut their expendi-ture on most forms of high-

tech care by half, and to invest

instead in basic clinical ser-

vices, Aids education and

immunisation. Private compa-

nies will take over the high-

Ms Christine Pillshury, a

healthcare analyst at Lloyd George Management Group in

Hong Kong, said: "In Indonesia

six months ago, private health-care would have been a dirty

Thailand has encouraged the

growth of private hospitals by offering tax holidays and cut-

ting import taxes on certain

medical equipment. In Asia

generally, said Ms Pillsbury,

governments are practically

handing over facilities to peo-

word. That's changing."

tech care.

By Peter Montagnon, Asia Editor, In London

The International Finance Corporation is evaluating a second Asian hospital venture, to follow its existing project to build a 530-bed hospital in-

Bangkok. The move into healthcare by tha IFC, a World Bank arm which finances the private sec-tor, reflects the realisation that in Asia private capital will be needed for health as well as for obvious infrastructure areas

such as power and transport.
The IFC said it decided on the move because public investment in hospitals in Thailand had failed to match rising demand for healthcare as the economy grew. Government facilities are overcrowded and the capacity of private hos-pitals is stretched.

Similar conditions apply in Indonesia where the IFC is considering its second project, but the IFC declined to give details pending completion of the evaluation study.

The Bangkok project, with a total cost of \$111m (£69.1m), is a joint venture with Bumrun-grad Hospital of Thailand and Tenet Healthcare of the US. Critics of private healthcare argue that it leads to inequi-

ties, introduces a profit incentive and raises costs. "It is not difficult to establish that private provision enhances access ple willing to run them as a commercial service." to basic healthcare in govern-ment facilities," the IFC said.

Mrs Marcos, accusing the election commission of harassment, shows her residence certificate to the press yesterday Imelda Marcos, campaigner for the poor'

Edward Luce follows dictator's widow on the trail to win election to Philippine congress

The former first lady of for double murder has also the Philippines, Imelda been taken up by the opposi-Romauldez Marcos. looks set to win a seat in the Philippine House of Representatives on May 8, if local opinion polls are to be believed. Despite having been disqualified last Monday from running because she has been resident for less than a year in Leyte (her chosen congressional district and the island of her birth), the widow of former dictator Ferdinand Marcos has been allowed to stand pending an appeal. Lawyers say that if she wins the election, it is possible Mrs Marcos could serve a full three-year congressional

delivers its decision. Meanwhile Mrs Marcos's ability to capture the imagination of many of the country's poor by taking up their griev-ances about the government's economic reform programme will continue to impress those who had consigned the Marcos family to history when it was

term before the Supreme Court

toppled in 1986. Look at these people. They love me," said Mrs Marcos waving at villagers on the campaign trail. "They know that I love them and they know thet the coup against the Marcos's was a middle-class revolution

against the poor." According to Mrs Marcos -who faces 384 charges of human rights abuses, misappropriation of public money and corruption - the finger of blame should be pointed at the Fidel Ramos administration which has opened the economy

to foreign husiness Thay call what we did 'crony capitalism' because we handed control of public companies to Filipino husinessmen," said Mrs Marcos, refering to the circle of business intimates who profited from the Marcos years. "I say that it is better to give economicopportunities to Filipinos than to sell our national assets to

foreigners on the cheap." The opposition National People's Congress (NPC), which opposes much of the Ramos reform programme and has canvessed for a less open economy, has exploited provincial resentment against the Manila business élite

Despite two years of economic recovery, little of the new wealth appears to have reached the rural poor. Unemployment, which has risen to 8.8 per cent, and underemployment, which the government estimates is close to a fifth of the workforce, have fuelled the opposition's contention that the fruits of economic growth have been monopolised by the middle classes.

The execution last month of s Philippine maid in Singapore pine people," she said.

tion which accuses the government of indifference to the fate of millions of impoverished Filipinas working overseas. Mrs Marcos is affiliated to the opposition and her son, Ferdinand junior, is a NPC candidate for the Senate.

"Flor Comtemplacion [the executed maid] represents all of us," Mrs Marcos told applauding villagers in Leyte. "She was poor, she was cheated and she was forced to work for foreigners."

After dispensing 20-peso (about 70 cents) bills to outstretched hands and a white envelope containing 2,000 pesos to the village head for tha repair of the chapel, the former first lady sung a nationalist ballad in the local dialect.

The coup against the Marcos's was a middle-class revolution against the poor

The performance was then repeated in the next village.
"We have now visited all 370 barangays [villages] in the congressional district of Leyte." said Mrs Marcos. "None of the Ramos candidates have done that. They call us thieves but they are not close to the peo-

ple," she said.
Of the \$10hn that the Presidential Commission on Good Government - the agency set up to retrieve missing funds from the Marcos years - esti mates the Marcoses took from the Philippines before 1986, \$370m has been identified in a Zurich bank account.

Appealing against a prison aentence of 42 years arising from the two completed court. cases against her. Mrs Marcos says she is prepared to accept a secret government offer made last year to repatriate most of the money from Switzerland. Under the deal, which was

leaked to the press by disaffected members of the commission and subsequently confirmed by government officials, Mrs Marcos would exchange the stolen money for a pledge to drop all charges against her.

"The government put forward a 75:25 deal. We would keep 25 per cent of the money which, I must stress, is legitimately ours, while the government would take the rest. It would pain me to give away so much of Ferdinand's hard earned money but at least it would be going to the PhilipASIA-PACIFIC NEWS DIGEST

Securities chiefs resign in China

The president of China's largest securities firm has resigned, two monification a bond trading scandal threatened to wipe out the bearings he founded. Mr Guan Jinsheng stepped down at a pearly meeting of Shanghal International Securities Company on Tuesday, along with the chairman, Mr Xu Quarting No reason was given for Guan's departure and Mr.

Quarting No reason was given for Guan's departure and Mr.

Xu left on grounds of old age, the China Securities paper said:

Shanghar international is being investigated for allegedly

durating freesury bill futures in the final minutes of trading on the Shanghat Stock Exchange, to try to pull prices down after betting the wrong way on a rising market. The brokerage was balled out by the stock exchange which ordered trades mwound at negotiated prices.

unwound at negotiated prices.

Mr Xn was replaced as chairman by Mr Zhu Heng, deputy chairman of the Shanghai Pudong Development Bank, one of the main shareholders in Shanghai International. Mr Gao Guofu, senior official at Shanghai Waigaoqiao Free Trade Zone, was elected vice chairman and acting president. China top securities regulator, Mr Liu Hongru, was replaced as chairman of the China Securities Regulatory Commission following the scandal. His successor immediately launched a crackdown on the futures industry. Reuter, Shanghai

Taipei snubs Beijing call

Taipet yesterday rejected a proposal from Beijing to hold a fresh round of talks on April 28-29, because of disagreement over the agends. Beijing had proposad discussing economic and technology issues, but Taipet maintains outstanding disputes should be resolved first.

This would be the eighth round of follow-up talks to high-level meetings held in Singapore in 1993, the first political contacts between the two rival governments since 1949. At the

contacts between the two rival governments since 1949. At the talks, framework accords were reached covering the resolution of bilateral fishing disputes, and repatriation of airline hijackers and illegal immigrants. The accords were meant to be fleshed out, but the two sides have been unable to settle differences desired.

differences during the two years of follow-up meetings.

After the most recent round of talks held in Beijing in late January, negotiators on hoth sides said agreement had been reached on the repatriation issues, but still no pacts had been

Taipei said the two sides may exchange views on issues relating to economic and technology exchanges in the next round of meetings, but no indication came of when such meetings might take place. Earlier, both sides had tentatively agreed they could be held in Taipei. Laura Tyson, Taipei

Top Aum member arrested

Japanese police vesterday arrested a key figure in the Aum Shimi Kyo religious cult being investigated over gas attacks on the Tokyo subway system. Japanese media reported, NHK television reported that chemical expert Masami Tsuchiya and six other members of the sect were held on suspicion of confining cult followers and sheltering an Aum member

wanted by police.

Of the seven Aum members, six were found hiding in an underground room at the cult's complex at Kamiku Isahiki at the foot of Mount Fuji. The cult's secretive chemical squad had reportedly gone into hiding shortly after police began raids of cult facilities in response to the March 20 gas attack on Tokyo's subways. The attack killed 12 people and left 5,000 sick. The cult has repeatedly denied involvement in the attack.

Indonesia 'admits problems'... Indonesia yesterday conceded it has not yet tackled some of

the most difficult sectors in its economic deregulation programme, especially those dominated by politically connected businesses. Mr Saleh Afff, co-ordinating minister for economic, financial and development supervision. said: "We have no illusions the deregulation programme is " complete. In some cases, we still face government granted monopolles, high tariffs, investment restrictions and other regulatory measures that harm our exports and growth."

The minister was speaking at a conference, co-sponsored by the World Bank, which reviewed Indonesia's track record in economic deregulation. The conference included discussions on the cement, sugar, pulp and paper sectors which remain among the most highly protected and regulated areas of the economy. Many of these sectors are dominated by politically-connected conglomerates.

World Bank economists praised indonesia's policy of deregulation which to date has concentrated on the financial sector and foreign investment rather than trade; but warned continued deregulation was "critical" if Indonesia is to keep up its growth momentum. Manuela Saragosa, Jakarta

Nintendo cassettes seized

Indonesia, still fearful of communist influence three decades after communism was outlawed there, has seized Nintendo video-game cassettes it says contain the hammer and sickle symbol, the Jakarta Post reported yesterday. It quoted police in the central Java city of Semarang as saying the \$25 (£15.60) cassettes had been seized at several outlets. Police said the symbol was hard to find as it appeared only in the 20th frame of the 1,200-frame video game. Since the mid-1960s, Indonesia has banned or confiscated

books, records, films and other products it says contain communist teachings or symbols. Indonesian officials periodically warn of the lingering threat of communist subversion. Reuter, Jakarta

Manila cuts reserve limit

The Philippine monetary board is to cut from 17 to 15 per cent the reserve requirement governing the share of total commercial bank deposits which must be held at the central bank. The measure was accompanied by a reduction on reserve requirements for thrift banks and rural finance houses from 9 to 7 per cent, to increase liquidity in the economy and lead to lower interest rates.

Mr Gabriel Singson, central bank governor, said the measures "are designed to ensure our monetary policy can sustain the country's hard-earned economic growth." Pressure on the government to relax monetary policy has been stepped up in the last fortnight following expectations of lower first-quarter growth figures.

Next month, the government is to conduct talks with the IMF within a review linked to a three-year IMF credit programme. The IMF is reported to be concerned about the pace of Philippine monetary growth which has overshot official targets. Edward Luce, Martia

Bangladesh wins aid pledges

Industrial countries made Bangladesh new aid commitments of \$1.9bn (£1.18bn) in the coming year at a meeting sponsored by the World Bank in Paris yesterday. This is sharply higher than last year's \$1.2bn total commitment.

Donor-countries expressed concern that the pace of reform was slowing as elections drew nearer, but Mr Saifur Rahman, finance minister, said his government recognised the need for continued reform. Peter Montagnon, Asia Editor

Karen camp burned

Some 100 Burmese soldiers and members of an allied Karen guerrilla faction have crossed into Thailand and set fire to a Earen reingee camp, leaving more than 3,000 people homeless Agren reauges camp, scarring more than o,000 people nomeless, a Thai army officer said yesterday. The intruders crossed Moei a That army outces saw Jean-Burmese frontier, on Tuesday night, then entered Kamaw Lay Ko Camp in north-west Thailand. They looted and set fire to more than 300 buildings, taking unknown numbers of people hostage.

Relief workers say Burmese troops and members of the Relies workers say have launched a terror campaign against albed karen refugees in Thailand, to force them back into the 70,000 haren renegees in ringham, to force them back government-controlled parts of Burma. Reuter, Bangkok

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By George Graham in Washington

PEMILS THE PADAY APRILING

lar makes a comeback

The US Supreme Court yesterday struck down a federal law banning pos-session of a gun within 1,000 feet of a school on the grounds that it went beyond the area in which the constitu-tion gave Congress the anthority to leg-

The Supreme Court heard arguments on the case last November, on the day of tha congressional elections which swept a Republican majority much more hostile to gun controls into office. But it announced its decision yesterday, at a time when the debate over gun control has been thrown into uncer-tainty by the bombing of a federal building in Oklahoma City.

One man has been charged in connec-

tion with the attack on the building, from whose ruins 98 bodies have so far

"militia" groups whose ideology is in guns.

built around the right to carry guns. Five of the Supreme Court's nine jus-tices voted to throw out the conviction of Mr Alfonso Lopez Junior for hringing

a 38 calibre handgun and five bullets to San Antonio High School Their decision could have far-reaching ramifications for Congress's legislative authority.

The first article of the US constitution closely defines Congress's power to collect taxes, raise an army or a navy and regulate bankruptcies, naturalisation or patents.

But it adds the power to regulate commerce with foreign nations or between the states, a provision which has been broadly interpreted. In arguments before the Supreme

Court last year Mr Drew Days, the solicitor general, said that the gun hill passed by Congress in 1990 was properly concerned with the "impact on the He has been linked to extremist national economy" arising from trade

Chief Justice William Rehnquist, in an opinion for the majority, dismissed that argument, saying that the offence of carrying a gun near a local school had "nothing to do with 'commerce' or with any sort of economic enterprise, bowever broadly one might define those

"Under the government's 'national productivity' reasoning, Congress could regulate any activity that it found was related to the economic productivity of individual citizens," Mr Rehnquist

for the four dissenting justices, said that the gun law fell well within the scope of the power granted hy the Congress to regulate interstate commerce.
"Upholding this legislation would do

But Justice Stephen Breyer, writing

no more than simply recognise that Congress had a 'rational basis' for finding n significant connection between guns in or near schools and (through

their effect on education) the interstate and foreign commerce they threaten, he wrote.

Many Republicans in Congress, joined by some minority Democrats, had wanted to press for a repeal of last year's law banning assault guns soon after the House of Representatives returns from its Easter recess next

That urgency has been diminished by the link between the Oklahoma City bombing and extremist opponents of gun control, and immediate attention appears likely to focus on anti-terrorist legislation.

But some supporters of a repeal of the assault weapons ban also plan to tie the measure into a broader crime bill which would include the anti-terrorist measures demanded by President Bill Clinton – which could make it more difficult for the president to veto the repeal.

per cent increase if they meet

production targets set by the

bargaining this year certainly

belped us to reach a pay settle-

ment which protects us against

inflation," says Mr Francisco Hernández Juárez, the tele-phone workers' leader. He is atypical among

Mexico's labour leaders in that

he embraces modern concepts

such as performance-related pay, off-the-job training, and

Japanese methods of quality

control. Mr Hernández Juárez

is proud that his union is

playing an active role in the company's modernisation as it

prepares for the entry of com-

petition in 1997. He is equally

depressed at the ossified state

of Mexico's trade union move-

ment today.

The freeing of collective

company.

rise in durable orders

Durable goods orders posted a surprising rise in March as demand increased for a broad range of products, the Commerce Department said yester-day, Reuter reports from Wash-

The value of total orders rose 0.6 per cent to a season-ally adjusted \$164.3bn, a sharp contrast to Wall Street economists' forecasts of a 0.5 per cent drop. It follows a revised 0.7 per cent decline in February, compared with a 0.8 per cent decline previously.

Shipments of finished prodncts were also bigber for a fifth straight month, np 0.5 per cent to a seasonally adjusted \$162.1bn. Backlogs of unfilled orders alsn gained for a seventb month in a row, rising 0.5 per cent tn \$438.9bp.

The strength in orders, shipments and backlogs shows the industrial sector of the economy still retains considerable

vigour. The biggest increase in March orders was for electronic and other electrical equipment, which shot up 6.1 per cent to a seasonally adjusted \$26.3bn after falling

4.5 per cent in February. Industrial machinery and equipment orders rose 2.7 per cent to \$32.1hn following a 1.4 per cent February gain.

Bnt transportation orders were down in March by 0.6 per cent to \$40.4bn after a 2.4 per cent climb in February. The department said weaker orders for aircraft and parts affected the transportation sector last month, while new car orders were flat.

The nverall economy bas "The labour movement has slowed so far this year, with become politically subservient to the government," ha says, "I industrial production and capacity use rates easing in want a labour movement that March, softer retail sales and three straight months of declining housing starts.

But there are signs of bealtby economic activity. reflected in Tuesday's reports of a 5.8 per cent pickup in March sales of existing bomes and a gain in consumer confidence during April that suggests any economic slowdown could be temporary.

AMERICAN NEWS DIGEST

Argentine army chief apologises

The commander-in chief of Argentina's army has apologised for the actions of the military in the 1970s Dirty War in which thousands of political prisoners were tortured and murdered in secret concentration camps

In a televised speech, army chief General Martin Balza said "the end never justifies the means" and admitted the armed forces had acted illegally and immorally. The apology comes after 20 years during which Argentina's military has defended its actions throughout the military dictatorship

of 1976-83 in what it described as a war against subversion. Gen Balza's statement, which be said was made without consulting President Carlos Menem, follows recent confession by two military officials that they participated in flights in which live prisoners were thrown into the sea from aircraft.

The revelations have disgusted many Argentines and prompted calls for the publication of lists of the "disappeared". Gen Balza said such lists did not exist, hut said he would protect individual members of the armed forces who came forward with names in an attempt to reconstruct them. He also implicitly challenged the notion of "due obedience", through which most military personnel escaped punishment, saying that no one should follow an order that they knew to

he morally wrong. Mr Carlos Ruckauf, Mr Menem's vice-presidential running mate in next month's presidential elections, said he suspected there was political manoeuvring behind recent military revelations. It was strange that two former members of the armed forces should choose to break silence so close to May 14 elections, he said. David Pilling, Buenos Aires

Panama to restructure debt

Panamanian officials are expected in New York next week for further talks on a restructuring of its roughly \$3.6bn commercial bank debt. The mission, headed by chief debt negotiator. Mr Ricaurte Vasquez Morales. is expected to meet its six-bank advisory group beaded by Citibank on Tuesday. The banks bold a private meeting on Monday.

Panama's debts to commercial banks stand at around \$2bn and there are arrears on interest payments totalling a further estimated \$1.6bn. A settlement with banks - expected by some bankers fairly soon - would mark the final step of a process to clear the foreign debt defaults of the Noriega era. Some \$685m of arrears to the Paris Club of creditor governments and the multilateral financial institutions was cleared in early 1992, while defaults on nine bond issues were settled under a bond exchange last year.

Panama and Peru are the only two Latin American

countries with significant debts to banks not to have completed a Brady concessional deht restructuring plan, Stephen Fidler, London

Chile central bank in court

Chile's central bank went to court on Tuesday for a writ against the Banco de Chile to stop shareholders voting to capitalise the 1994 dividend at the annual general meeting due tomorrow. The bank, Chile's biggest commercial bank, has a subordinated debt of more than \$1bn owed to the central bank, which is supposed to be repaid out of profits. Last year, the shareholders voted to capitalise dividends at book value, which the Central Bank claims reduced repayments

The debt is the legacy of a government bail-out in 1983 and 1984 for most of the local banking sector, after a steep devaluation of the currency and a severe ecocomic recession in 1982. Imagen Mark, Santiago

Mexican unions shun May Day march

Pro-government barons wish to spare President Zedillo's blushes, writes Leslie Crawford

tional May Day parade this year. With rising unemployment, spiralling inflation and meagre wage increases, they have little to celebrate.

But the unprecedented decision to cancel the May Day celebrations was taken for other reasons. The biggest labour federation, Confederación de Trabajadores de México (CTM), historically aligned with the government, wishes to spare President Ernesto Zedillo the embarrassment of buge antigovernment protests on that

Union officials admit they would not be able to restrain the anger that is felt against Mexico's ruling technocrats, who are held responsible for the country's economic crisis and an austerity programme which has whittled the minimum wage down to 18 pesos (\$3) a day, when the cost of living has already risen by 20

per cent this year.

The absence of "official" unions, which represent some 12m organised workers, will clear the stage for protest demonstrations planned by smaller, independent labour unions and left-wing political parties. Teachers, electricians,

exico's largest labour unions will not be holding their tradi-ers were arrested this month on charges of fraud and embezzlement, will occupy the vacuum left by the mainstream labour movement and act as a channel for dissent.

Policing is expected to be heavy on May Day, as the government fears the protests might lead to violence.

The rise in tension as May Day approaches has been par-ticularly acute because the labour movement's response to the economic crisis, which began with December's devaluation of the peso, has been sur-prisingly muted to date. In the face of an austerity programme which has driven

the economy into recession,

slashed government spending, raised public tariffs, and increased the sales tax from 10 to 15 per cent, the labour movement's only act of rebelnomic policies.

lion has been to refuse to endorse the government's eco-The programme, announced on March 9, was not accompanied by a pacto - the tri-partite agreement between govern-ment, labour and business which served to legitimise Mexico's economic reforms over the previous seven years. This implied both a significant



Zedillo: spared embarrassment

blow to Mexico's corporatist political system and the go-ahead for decentralised wage bargaining at the factory

But fear of unemployment

has dampened union militancy and pay demands, which, for the first time this year, have not been subject to government-imposed ceilings. The moderation of pay settlements suggests the competitive advantage provided by the peso's devaluation since December of about 40 per cent will not be swallowed up by inflationary wage increases. Since devaluations improve a country's competitive position

wage negotiations nationwide. says there have been few strikes, and four-fifths of pay settlements since January have not exceeded 7.5 per cent, compared with officially forecast inflation of 42 per cent

nomic managers.

this year. There have been exceptions, however. The wages of Mexico City's crime squad were doubled in March in an attempt to stem the corruption that riddles the police force. The 37,000-strong electricity union accepted a 15 per cent pay rise, even though its members had demanded 30 per cent and vilified their leaders for accepting less. Mexico's in-bond manufacturing plants, whose exports have soared since devaluation,

by bringing about a reduction

in real wages, it will be viewed

as good news by Mexico's eco-

GEA, which tracks collective

The economic consultancy,

have granted pay increases of 20 per cent or more. The 49,000-strong telephone workers' union also reached a little-publicised pay deal with Teléfonos de México, the privatised telecommunications monopoly. Basic salaries were increased by 23 per cent in March, but under a separate productivity deal, employees will receive an additional 40

That may have to wait until Mr Fidel Velázquez, the 95year-old leader of the CTM, decides to retire from the labour federation be bas led since 1950. Tired, ailing, and barely audible at his weekly press conferences, he personi-fles Mexico's debilitated and voiceless labour movement.

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WTO's blessing for trade groups Study highlights Japanese

Guy de Jonquières reports on the widening debate on the growth of regional economic arrangements

has not so far impeded the development of freer world trade and has sometimes helped to promote it, according to a report* hy the World Trade Organisation.

"There have been no fortress-type regional arrangements among WTO members. says the report, which finds no evidence to support concerns that discriminatory trade blocs may he emerging in North America, Western Europe and the Asia-Pacific region.

However, it suggests that, as the world trade policy agenda advances, the WTO may need stronger procedures for decid-ing whether regional groups are fully compatible with multilateral rules.

The report also expresses doubts about the economic value of non-reciprocal agreements, such as the EU's preferential trade links with the African, Caribbean and Pacific

It says such arrangements provide limited economic gains and can have protectionist consequences, because they enable strong economies to restrict imports from weaker ones in "sensitive" sectors, such as

coincides with mounting debate among trade economists about the longer-term effects of regionalism, and with a revival of political interest in the US and the EU in the idea of a North Atlantic Free Trade

The report does not comment on such an arrangement. But Mr Renato Ruggiero, incoming WTO director-general, recently said it risked antagonising developing countries, which could view it as an exclusionist move.

By the end of last year, the General Agreement on Tariffs and Trade, the WTO's predecessor, had been notified of 108 regional arrangements, 33 of them in the last five years. Almost all the body's more than 120 members were linked

to at least one such grouping.

The proportion of world trade conducted within regions had risen from 40.6 per cent in 1958 to 50.4 per cent in 1993. However, there was no evidence that reciprocal regional agreements had distorted trade and investment flows at the expense of the world economy.
Only in the EU had intra-regional trade increased faster

The rapid growth worldwide of regional economic groupings agriculture and textiles. The regional economic groupings report, by the WTO secretariat, Nonetheless, EU trade with third parties had continued to expand in line with its mem-

bers' economic growth. "It is clear that, to a much greater extent than is often acknowledged, regional and multinational integration initiatives are complements rather than alternatives in the pursuit of open trade," the WTO says.

It says some regional agree-

ments have enabled members

to accept obligations to liberalise faster than required by the Gatt and have helped stimulate progress at the multilateral However, it emphasised that the Uruguay Round agreement, which took effect this year.

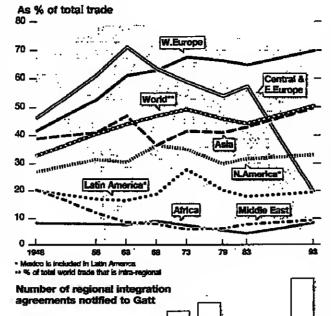
emhodies commitments on

and intellectual property which go further than most regional arrangements. The report says that while tariff cuts have been the main priority of past liberalisation, future WTO efforts will increasingly focus on non-tariff barriers, services and domestic

ment, competition and the environment. The report sets out several

policies in areas such as invest-

Intra-regional trade



options for improving proce-dures in the WTO. They include setting clearer provi-sions for the enlargement of regional trade groupings and more systematic surveillance of the impact of regional inte-

gration on multilateral trade. *Regionalism and the World Trading System. SFr40. World Trade Organisation, Centre William Rappard, 154 rue de Lausanne, CH-1211 Geneva 21. Tel: (4122) 739 5111.

US-EU links

By Nancy Dunne

Recent proposals to deepen the trade and investment relationship between the US and the European Union were yesterday boosted by a report demon-strating the breadth and balance of what has become largest economic relationship

in the world.

A study hy the European-American Chamher of Commerce found that European companies are now the leading international investors in 39 US states. Almost 3m jobs in the US are directly supported by European investment with 2.5m linked to exports to Europe.
"We constantly hear that the

globalisation of our economy is a threat to the wellbeing of workers in the US hecause multinational companies prefer to invest in low-wage coun-tries," said Mr Will Berry, pres-ident of the chamber. "But, in reality, more and more international companies are investing in new plants and equipment and creating johs right here in

Mr Jeffrey Garten, US under secretary for trade, delivered a similar message in Brussets this week. Europe, he said,

could become the most impor-tant single US market for the remainder of the decade. Projected GDP growth of 3 per cent in 1995 "translates into a oneyear market size increase of \$210hn... This is like finding a new market the size of

Taiwan," Mr Garten said. According to the chamber, the transatlantic economic relationship has expanded to \$500hn in cross investments and \$224bn in annual two-way trade. Half the jobs in the US created by EU companies are in the high-wage manufactur-

In a state-hy-state hreakdown, the study said 364,000 jobs in California were supported by manufacturing exports - mostly industrial machinery and electronics - to Europe while EU investment in the state supported 268,300

European companies are the largest investors in Ohio, and they are responsible for the creation of 136,100 johs. Another 92,300 are supported by manufacturing exports to by manufacturing exports to Europe with transportation equipment the largest export.

Europe is New York's largest export market with about \$6.4bn in sales from metal

to boost investment in Europe

By William Dawkins in Tokyo

The pace of growth of Japanese manufacturers' investment in Europe is expected to recover this year, after lagging for five successive years, according to the Japan External Trade

Organisation.
In a Jetro survey, the projected recovery is a reflection of how the yen's sharp rise of more than 20 per cent so far this year has forced Japanese companies to plan a fresh wave of foreign investment to maintain their international price competitiveness.

By the end of last year, there

were 720 manufacturers affiliated to Japanese companies in Europe. 19 more than at the end of 1994, according to the survey. That was the smallest annual increase this decade and a mark of a general retrenchment in investment hy Japanese companies, many of which are still generating historically low profit margins because of weakness in their domestic economy.

The faltering recovery of some European economies also played a part in this caution, said Mr Yutaka Miyazaki, director of Jetro's European division. Only half of the companies surveyed were profitable, though most of the other half said earnings had increased. Yet, according to Jetro, investment sentiment is hrightening rapidly. Of the total, 55.3 per cent said they planned to expand in Europe, a sharp rise on last year's 45.3

per cent. This change and growing interest is partly due to the yen's appreciation but also to the growth of central European economies, said Mr Miyazaki. The outlook for local markets is even more important to Japanese companies than the exchange rate as 94.5 per cent of the companies in the survey export to other European Union countries from the Euro-pean hases. One quarter of the companies export to eastern

Europe. Last year's small number of new Japanese corporate arrivals in Europe compares with the 95 companies during the peak in 1989-1990 when foreign companies rushed to build a base inside the European single market and when European economies were doing well. Of the 720 Japanese companies now in Europe, 205 are in the UK - traditionally head of the Japanese Euro-investment league - followed hy France with 111 and Germany with

Existing companies have already started to huy more European-made components. because the yen's rise has made them even cheaper compared with parts imported from Japan. Three quarters of the total hought more than half of their components locally, while 41.4 per cent said they had increased local procurement, up from 36.8 per cent in the previous study.

Airlines notch up first profit in 5 years

By Michael Skapinker,

World airlines made a collective net profit of \$1.80n on their international scheduled services last year - their first profit since 1989.

Mr Pierre Jeanniot, director general of the International Air Transport Association, said yesterday, however, that the net profit figure represented only 1.6 per cent of revenues.

Mr Jeanniot told a conference in New York that an acceptable level of profit would be 7 per cent. He said: "There is still a long way to go to secure decent future profitabil-

Last year's profit figure compares with a collective net loss of \$4.1hn for lata airlines in 1993. During the four years 1990 to 1993, the airlines lost a total of \$15.6bn.

Mr Jeanniot said the main reason for last year's profit was lower unit costs. He said there was potential for future cost reductions, provided there were no further oil shocks.

This year, lata expects air-lines' collective net profit to be \$5.5hn, or 4.5 per cent of inter-national scheduled service revenues. Although helow Mr Jeanniot's target of 7 per cent. it would still be lata airlines' best profit margin for more than 20 years - before the 1973

WORLD TRADE NEWS DIGEST

Five seek \$1bn rail contract

Five companies, four of them foreign, have expressed interest in hullding the first railway line on the soutbern Philippine island of Mindanao, transportation secretary Jesus Garcia said yesterday. He said that Spain's Construcciones y Auxiliar de Ferrocarriles and the Czech Republic's Tatra had submitted proposals to huild the \$110m railway. US and French companies wanted to participate in the project, but he did not disclose their names. J G Summit, a bolding company controlled by Filipino-Chinese tycoon John Gokongwei, had also submitted a proposal. The railway is the first stage of a planned \$1.12bn rail network linking all 18 Mindanao provinces. Agencies. Manila

■ A consortium of Japan's Mitsubishi Heavy Industries.

Mitsui and Sasakura Engineering has won a KD65.2m (\$228m) order to build desalination units in Kuwait, Mitsui said yesterday. The consortium will have to plough back 30 per cent of the contract value into Kuwait in the form of joint venture investments, technology transfer or skills training.

The project is believed to be the first non-military contract subjected to counter-trade in the Gulf oil state. Under rules subjected to counter-rate in the Gun on state. Onder rules introduced after the 1991 Gulf War ended Iraq's seven-month occupation of Kuwait, offset must be applied to all government contracts of more than KD1m. But in practice the rules have hitherto been applied only to arms deals. Reuter, Kuwait

■ Fanuc Robotics has secured a letter of intent from General Motors, the largest US carmaker, for what is claimed to be Europe's largest robot order. Thee Japanese-owned company will initially supply 1.250 robots to GM plants throughout Europe, but the final purchase quantities could be higher. The deal reaffirms Fanuc Robotics' strong links with GM after a sethack in 1993, when arch rival ABB Robotics won its first setnack in 1950, which are a large stable resolutes won its first European order from the US carmaker. GM had traditionally bought most of its robots from Fanue Robotics, which was a joint venture between GM and Fanuc until 1992, when the US carmaker sold its shareholding to its Japanese partner. Andrew Baxter, London

■ Com-Tek Resources, the Colorado-based power station constructor and operator, has extended its involvement in power generation in China, with negotiations well advanced for a further 21 units in addition to the 12 announced in January this year. The company plans to huild, operate and January this year. The company plans to muid, operate and transfer several larger installations comprising up to six 4MW

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Transport authority creates own insurer

Insurance Correspondent

London Transport is breaking new ground for a public corpo-ratioo by setting up its own insurance company, based in Guernsey, which is expected to cut its insurance bills by nearly £2m (\$3.24m) in the first year. London Transport runs buses and underground trains in the capital.

The move is a result of LT's frustration at the high premium rates and tough policy

terms set by conventional insnrance companies. LT belleves that insofficient account is being taken by insorers of safety improve-ments since the 1987 King's Cross station fire, in which 31

people died.

The decision to set up London Transport Insurance (Guernsey) further extends government efforts to introduce private sector practices into the public sector. The set-ting up of "captive" insurance companies is widespread in

industry with most of the top 100 UK companies owning at Previously Whitehall has

argued that setting up a "cap-tive" is an inappropriate use of public funds. LT is understood to be providing funds running into several millions of pounds

for the new company.

Setting up a "captive" insurer allows the parent company to recover profits made on its insurance premiums. If based offsbore in a location

captives can also take advantage of less stringent regulatory requirements than those set by the Department of Trade and Industry. LT, which has been advised

by Willis Corroon, the insurance hroker, and KPMG man-agement consultants, is expected to announced that the estimated £1.7m savings in the first year will be reinvested in the underground network.

The move follows tha setting up last year of a Dublin-based insurance company to provide

Manufacturers flock

to South Wales

10 Northern Tek

12 Hitachi

14 Algora

13 Monsanto

affordable cover for privatised London hus companies. LT is the only public corporation to have a captive.

Mr Clive Pracy, head of risk management at LT, said thet the organisation had "found itself simply paying too much for its insurance premiums on the open market." He added: "Its safety record was not properly reflected in what was Zurich Municipal and Royal

Insurance, the main insurance companies which provide cover

to LT, will act as reinsurers of London Transport Insurance (Guernsey).

LT annual insurance bill has not be disclosed but the new company will account for about half the total, including public and employers' liability insurance, motor policies and some property insurance. Protection for LT properties against natural catastrophes and insurance against staff fraud will continue to be purcbased from conventional

Ebbw Vale

Cardiff .

BRISTOL CHANNEL

UK NEWS DIGEST

Private sector help sought in ghetto' districts

Mr John Major, the prime minister, condemned "ghetto estates" in inner cities as "monuments to the failed history of socialist planning". He promised to work with private companies and municipal authorities to tackle the high-rise blocks and barren estates that wrecked communities and robbed them of ambition and self-respect. "Many were built as solutions to inner city problams," he said in a speech to the Social Market Foundation. "Ironically, they have now become major contributors to the problem. There they stand, grey, sullen, concrete wastelands, set apart from the rest of the community, robbing people of ambition and self-respect."

The opposition Labour party accused Mr Major of hypocrisy because two of the most notorious blocks in south London were built when he was chairman of the housing committee for the area. The party said that in 1971 Mr Major had recommended "as a matter of urgency" a trip at public expense to Poland by London housing officials to study social-

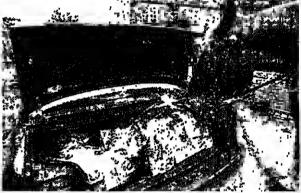
His call yesterday for urgent action is likely to lead to local housing companies, formed jointly by the private sector and public authorities, to renovate the council's bousing stock and provide new social bousing. In spite of Baroness Thatcher's "right to buy" policy of the 1960s, bousing owned by municipal authorities still accounts for 18 per cent of England's 20m homes. About half of these 3.6m council properties are concentrated in inner-city estates, many severely run down. PA News

Disc drive maker adds 300 jobs

Seagate Technology of the US, the world's largest independent manufacturer of disc drives, is to expand its wafer fabrication plant in Londonderry, Northern Ireland, with a £60m (\$97.2m) investment creating 300 more jobs. The plant, where Seagate has already invested £64m and employs 552 people, is the European base for the company's manufacture of thin-film heads for computer disc drives. Northern Ireland's Industrial Development Board will contribute £11,1m, bringing its contribution to £30m, including money for the research and develop ment centre Seagate established in 1993. John Murray Brown, Belfast

Forged \$100 banknotes found

Counterfeit banknotes with a face value of more than £18m. (\$29m) a third of it in \$100 bills, were seized by police when they raided a lock-up garage in east London. It was the biggest ever single seizure of fake sterling. Detectives discovered eight large boxes packed with counterfeit cash, including fake £50 notes. The £6m in dollars was among the largest seizures of



A police horse inspects the hanl of forged banknotes fake US currency in the UK. Police believe the forged notes they have smashed a counterfeit operation that has been running for at least two years. PA News

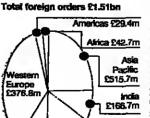
Monarchs halve ticket prices

London Monarchs, one of Britain's few American football teams, have cut ticket prices by more than half for their remaining bome games this season after attracting only 8,763 fans to a Loodon soccer stadium last Saturday. The Monarchs had hoped for a crowd of more than 15,000 for their first home match in the revamped World League against Amsterdam Admirals. Mr Gareth Moores, the Monarchs' general manager, said: "What we have is the best value for money with respect to sports entertainment in London. I am convinced that once new fans have been to a game they'll keep coming back for more. We know how it will take two to three years to make our mark and we're prepared to go that extra mile." PA News

Polly Peck payment soon

Creditors of the business empire of Mr Asil Nadir are likely to receive their first cash payments soon - 4/2 years after the collapse of Polly Peck International. Its administrators said 99.9 per cent of creditors had supported an interim dividend payment of 2p in the pound on claims at 1990 levels. If approved by the courts the creditors' agreement will establish a system whereby future payments will flow smoothly to those owed a total of £1.4bn. Creditors will be asked to lodge claims to May 1995 within a formight, with a payment in July. At 1995 levels the debt will stand at £2.3bn and the dividend will be equivalent to 1.1p in the pound.

Asia-Pacific orders surge



Where the work is

coming from

Eastern Europe £123.8m

surging 76 per cent to just under £4bn (\$6.5bn). The Asia-Pacific region accounted for 34.1 per cent of orders from outside the UK, after accounting for only 11 per cent in 1993. UK new orders more than doubled to £2.46bn last year, while all orders from outside the country rose from £1.06bn to £1.51bn. Half the increase came from three Middle the UK, but the British Chemical Engineering Cootractors Association warned that order intake this year may not reach last year's level. Even so, the outlook is encouraging, said

Britain's process plant con-

tractors had a bumper year last year, with new orders

the association, which represents the 18 main contractors operating in the UK. "Members continue to operate in a flercely competitive domestic and international market," said Mr Tony Brimble, chairman. "We are, however, seeing an upturn in major capital projects." Andrew Baxter

Prayers against racial hatred: Churches of all denominations were urged to pray for an end to racial hatred on the country's first Racial Justice Sunday in September. Dr George Carey, the archbishop of Canterbury, the senior prelate in the Protests Church of England, said: "Please remember those who suffer because of racial prejudice and those who need belp to overcome racial hatred in their hearts."

Rude awakening: A man went back to sleep after being woken by the sound of thunder, unaware that lightning had blasted a hole in the roof of his home in Reading, 70km west of London, and had started a fire. A passing policemen saw smoke coming from the roof and the householder was awakened again when firefighters banged on his door and ordered him to let them in.

of Nato 'no threat

By Bruce Clark, Diniomatic Correspondent

Mr Douglas Hurd, the foreign secretary, said yesterday be was sure Nato would enlarge in spite of Moscow's objections, and that there was no reason why this proceas should be a threat.

to Russia'

While backing calls for a "new security relationship" between Nato and Russia, be stopped short of endorsing any of the more far-reaching proposals that have been aired recently, such as a new Russia-Nato treaty or consultation

In a wide-ranging review of foreign policy at the Lord Mayor's Easter banquet in London, Mr Hurd stressed the role of the nation state as the cornerstone of all international institutions including Nato and the

European Union. He defended the government's new-found stress on Britain's role in the world beyond the EU. He insisted. however, that this did not amount to opting out of discussions about the future of Europe, and that Britain's belief in the nation state was compatible with further devel-opment of the EU. "The Union is based on nation states," he said. "It recognises that the nation state remains the primary focus of people's loyalty and aspirations."

Whila subjects such as internal and external trade needed to be handled by the EU's supranational machinery, oth-- defence, foreign affairs and crime - were better tack-EU governments, and "many subjects need not come on to the Brussels radar at all".

Mr Hurd struck a firm note over European security and the expansion of the Atlantic alliance. "Nato will expand; I regard that as certain," he said, while cautioning that the process needed "forethnught and planning" because of the gravity of the guarantees that would be extended. "If a member of Nato is attacked in the morning, Britain is at war in the afternoon," he added.

Listing the "strands" of a new Russian-western relationship, he cited Partnership for Peace, the Nato-inspired military co-operation programme; the Russia-EU partnership negotiated last year, and the 53-nation Organization for Security and Co-operation in Europe, which includes the ex-Soviet republics, Europe, Canada and the US.

In practice, co-operation in all the areas cited by Mr Hurd has baen badly disrupted recently because of rows over Nato enlargement and western disapproval of the Russian army'a behaviour in Chechnya. Mr Hurd said it was "sad and worrying" that the "continued brutality and uncertain outcome" of the Chechnya war had obstructed efforts to forge a new relationship between

Moscow and the West. Dismissing the notion of a threat to Russia, he said: "The Nato allies could not possibly be heirs to Napoleon or Hitler, pointing a dagger at the heart

Expansion US, Germany and Japan lead the way

In the first of a series about investment in regions of Britain, Roland Adburgham examines the attractions of Wales for big companies



been among the most suc-

cessful regions In the UK at attracting inward investment.
More than 350 international companies are now established in the region, and employ more than one in five of Welsh manufacturing workers.

The companies have helped Wales to maintain a higher manufacturing base than the UK average. In 1993-94, there were 169 projects from outside the UK - more than half of them expansions of existing investments - with forecast capital expenditure of £765m

Most overseas investment has settled in industrial south Wales, close to the M4 motorway, with another concentration in north-east Wales notably the plants opened by Toyota and Sharp of Japan. The arrival of Japanese companies inevitably attracts most

attention.
Since the first was established (Takiron in 1972), there has been an influx of more than 40 others, including Sony. Matsushita and Hitachi. However, it is US companies which have led the way in investment, and about 130 of them

Wales, with a have plants in Wales. The population of employer with a non-UK owner only 3m, bas is Ford, while Germany is the second most represented country with companies such as Robert Bosch.

While Japanese companies

have ensured a strong base in

electronics, there has also been significant foreign investment in the automotive, chemicals and healthcare sectors. Although the early arrivals tended to be "screwdriver" plants, with Wales seen as a springboard into mainland Europe, many have subsequently matured their operations. Plants have become less biased to assembly only, and research and development activity has risen. Fears that branch plants might be vulnerable during the world

recession were not fulfilled. A key to securing projects has been the international activities of the Welsh Development Agency, a publiclyfunded body with an overall budget this year of £153m. The agency's property development programme has ensured a ready supply of industrial buildings.

The Welsh economy research unit at Cardiff Business School attributes the inward investment success to rapidly improving infrastructure, high levels of regional aid from tha

15 Warter Lambert a American Brands a Hoover 17 Yuasa Battery ·B TRW: 1B Dow Coming government and low relative wage levels - although in man-

ufacturing they are not lower

than the UK average.

1 Ford

3 Panas

5 3M

4 General Electric

The unit estimates that Wales, with just over 4 per cent of the UK workforce, has received more than two times that share of new road spending and at least four times that share of regional aid. A further improvement to infrastructure will come next year with the opening of a second bridge over the River Severn between south Wales and England, And, although the government has reduced regional selective assistance in geographical terms, large parts of Wales still

Cardiff Business School has found that unit labour costs have been brought below those

in other regions, with inward investors likely to have played a big part in this. Employers from outside the UK often say they find their Welsh workforces flexible and stable. Industrial disputes are rare and, in particular, Japanese working practices were readily accepted at a time when they

were novel to UK industry. Wales also appears popular as a posting for overseas managers. A survey of Japanese managers found that they liked the general working environment, tha opportunities for career development and sport. and the warm welcome. foreign-owned With

operations becoming more technologically advanced, and large projects harder to win, concern has risen at the need

workforce. Recently Panasonic of Japan spoke of its difficulty in finding suitable apprentices, confirming a report** last year by the Centre for Advanced Studies at the University of Wales. This report said the lack of

to upgrade the akilis of the

labour skills was most acute in the craft and technician cate-gory. It described as "woefully inadequate" the vocational education and training system in Wales . in common with elsewhere in the UK.

*Working for the Japanese, (Morris, Munday and Wilkinson). Athlone Press. ** Welsh Renoissonce: Inward Investment and Industrial Innovation. Centre for Advanced Studies, University of Woles, College of Cardiff.

the post-1945 papers presented by Lady Spencer-Churchill, widow of Sir Winston, to Chur-

chill College, is valued at more

Mar Lodge estate is an

important conservation area

and one of the last wild places

in the land. The lodge itself

was built by Queen Victoria in

1895 for one of her grand-

■ Vast Churchill collection will stay in Cambridge ■ Getty funds help to meet cost

Lottery cash helps secure historic archive

By Antony Thorncroft Arts Staff



The Churchill archive, the main collection of papers relating to Sir Winston Churchill, has been saved for the nation. The Heritaga

Lottery Fund has given £11.5m (\$18.6m) to Sir Winston's heirs to secure about 1.5m items held at Churchill College in Cambridge University. A fur-ther £1.75m was provided to conserve and manage the col-

The beirs of Sir Winston, who was Conservative prime minister from 1940 to 1945. include his grandson Mr Winston Churchill, who is now a

Camelnt, organiser of the National Lottery, yesterday cancelled the contracts of three retailers because of "alleged irregularities" in sales of "Instants" tickets. The contract of a fourth was suspended during investigation. Instants, which cost £1 (\$1.60), are scratchcards sold at corner stores on which the top prize is £50,000 compared with up to £17m on the main

The moves came two days after a retailer in Conservative MP. The grant and mountain containing four memorabilia have been rising of the six highest peaks in the was the largest of nine announced yesterday by the British Isles. fund, which receives a fifth of the share of National Lottery revenues allocated to "good

causes". The other main beneficiary arship of some of the papers. was the National Trust for The collection ranges from Scotland which was given some of his earliest school £10.2m to acquire the Mar reports to the typescript drafts Lodge estate in the Cairngorms of his some of his most famous - 31,000 hectares of moorland

Salisbury, south-west England, had his equip-ment confiscated by Camelot after suggestions that he had tried to cheat customers out of Camelot said retailers had been accused of

defacing tickets in an attempt to discover whether they contained winning combinations. "We will continue to deal swiftly and severely with any retailer who behaves dishouestly." said Mr Neil Dickens, Camelot security director.

The Churchill archive has at Christie's in London last been a cause of controversy for years, with the government and family disputing the own-

Lord Rothschild, chairman of the heritage fund, said yesterday that the price agreed with the family's trustees was "very

reasonable". The sum was boosted by a further film from The total archive, including

daughters. Mr Stephen Dorrell, national in value recently - four auto-graphed letters sold for £67,000

heritage secretary in the Conservative government, said the National Lottery had already amassed £400m for the five good causes - the arts, heri-

tage, sport, charities and the Millennium Fund.

The introduction of scratchcards had increased revenue to £25m a week and the good

tainable basis for the benefit of

Kluge is thanked for 'generous gift' in Scotland

wartime speeches. Churchill

By James Bucton, Scottish Correspondent

The National Lottery has removed the obstacle which has kept one of the greatest estates in the Scottish High-lands in a deteriorating state of limbo for more than four years. In a complex deal Mr John Kluge, the US media multi-millionaire will receive 25.5m (\$8.9m) for the Mar Lodge

market in 1991. He had bought it in 1989 for £7m. Mr Kluge bought the estate as a present for his wife Patricia, a former model, allegedly to satisfy her desire to become

Mar Lodge. But tha conpla

divorced in 1990, and early the

estate. That is much less than the £10m Mr Kluge was asking when he put the estate on the market in 1991. He had bought for which devastated the vast a neighbour of the Queen, whose land at Balmoral adjoins

lodge, where a project to upgrade it to a state of luxury had only just been completed. Mr Kluge decided to sell. The National Trust for Scot-

land was careful yesterday to thank Mr Kluge and Mar Lodge Estate for "the generous gift of Mar Lodge," implying that it is getting the property for less than its full value. Only £1.5m of the Heritage Lottery Fund grant will go to the purchase price. The Trust will pay the rest from a gift of more than £4m from the Easter Charitable Trust, a little-known private trust.

The bulk of the lottery money will form an £8m endowment to provide for the running of the estate "on a aus-

the nation." Though the estate will not be rim for profit and only part of its will be used for sbooting and stalking game. the sum gives a hint of bow much rich owners of Highland estates have to pay to operate their properties. The National Trust will now start reducing the excessive number of deer at Mar Lodge, now totalling

PM frets about selling nuclear power stations

might be scrapped as a sweetener for the privatisation of the nuclear power industry has prompted delight and disbelief. Delight from electricity consumers who could see their bills cut next year, and disbeher from sceptics who say the government will still need the money and will have to raise it in taxes instead of charges to

consumers. The levy, introduced in 1990 to subsidise power generation by non-fossil fuels, is a 10 per cent surcharge on all electricity bills, though few consumers know about it as it is not itemised on their bills.

Some of the money raises by it supports "green energy" Industry must have been por-such as wind farms. But the

and Wales, to help it dispose of nuclear waste and decommis-

would knock 2 per cent off year. So if it is scrapped in 1996, there will be a shortfall of about £2bn_

come up with a good enough be funded in a number of ways solution to the sbortfall to there will be about £2.6bn in encourage the government to consider its bold plan.

by the last two years of levy

able flexibility in the numbers,

government could try to bridge the gap. For example, the profits from continued Magnox operation were estimated on the basis of a 36-year working life. The average life has already gone up to 37 years and some Magnoxes have now been licensed for 40 years, so they will generate much more cash than first thought.

Second, the proceeds of privatisation could be more than £2bn. If Nuclear Electric is merged with Scottish Nuclear as now seems likely, the sale

decommissioning power stations could redoce as technology is refined so the final bill could be less than £9bn.

- is under no obligation to make provision for its liabili-ties: it could pay for them as they materialise. And since most liabilities will not fall due for a decade or so, the problem could be left for some future government to deal with. This means that the Trea-

a pre-election tax cut. The appeal of abolishing the levy must be strong. It has always been unpopular, particularly with industry, which has been more aware of it than

The hint from Mr John Major, the prime minister, that the nuclear levy on fossil fuel shortfall that would result from abolishing the shortfall that would result from abolish

bulk goes to Nuclear Electric, the state-owned operator of nuclear stations in England sion old power stations, Scottish Nuclear gets a subsidised price for its electricity instead of a lavy – abolishing that bills. The levy was designed to run for eight years to 1998, and raises about £1bn (\$1.6bn) a

Officials at the Treasury and the Department of Trada and The arithmetic probably runs as follows. Nuclear Elec-

tric will be split in two ahead of privatisation. One part will consist of the modern AGR and PWR stations which will be privatised with their liabilities fully funded from Nuclear Elactric's cash resources, including past levy receipts. The other part will consist of the older Magnox reactors. Nuclear Electric says their liahilities will be about £9bn, which the government will have to pay for. These would

cash left over from the privatised entity; the Magnoxes will continue to generate profits of which could be another £2bn; the switch to a longer decommissioning timetable (due to be approved by the nuclear regulators this year) will produce savings of about £500m, and the proceeds of the privatisation itself could be about £2bn. Thia totals just over £7bn. The resulting shortfall of £2bn was supposed to have been covered

However, there is consider-

Fourth, the government - unlike commercial companies

sury could even scrap the nuclear levy and still use the privatisation proceeds to fund

could realise as much as £3bn. Third, the costs of disposing of radioactive waste and the domestic consumer.

TECHNOLOGY

Human tissue 'not for sale'

blood and organs - is not e commodity and should never be bought or sold. according to the leading UK

bioethics panel. The Nuffleld Council on Bioethics, an independent committee of legal, ethical and medical experts, says the UK should resist the temptation to organise the removal or collection of buman tissue along commercial lines, as in the US. This might increase donors but would be

fundamentally unethical.

Dame Rosalinde Hurley, chairman of the buman tissue study, says: "Any payment to donors may cover reasonable expenses

only.

"We believe that everything the should be done to encourage the altruism of donors in the hope that more will come forward," she says. Because human tissue should not be regarded as property, donors ought never to ben-efit commercially from it.

The legal and ethical difficulties were highlighted by the US legal case in which John Moore, a leukaemia patient, sued the University of California after a cell line derived from his spleen turned out to be a valuable source of biotechnology prod-

Ian Kennedy, bead of the law school at King's College, Lon-don, says: "British law is opaque at best on the legal status of buman tissue and whether it can be regarded as property. One looks to Victorian precedents about body stealing to try to fashion law at the end of the 20th century."
The uncertainty highlights the

urgent need to consider, clarify and, where necessary, strengthen the ethical and legal framework within which the clinical and research uses of buman tissue take place", the report says.

Human Tissue: Ethical and Legal Issues, published by the Nuffield Council, 28 Bedford Square, London WC1B 3EG. £10.

Clive Cookson

here is a joke that still goes down well in the software industry: how many Micro-soft engineers does it take to change e light bulb? None. Bill Gates declares dark-

ness the industry standard. Even Tom Honeybone, a Microsoft marketing manager, chuckles.
The joke refers to the wey that
Microsoft established its Windows
software as the de facto standard on the desktop.

"We are not trying to foist anything on the industry," he says. "The market will decide." Honeybone is talking about Microsoft's latest item aspiring to be an industry standard: Ole - Object Linking and Embedding, pronounced Olé!. It is software designed to work with an emerging technology that promises to revolutionise the way we work: object orientation.

OO should cut costs, increase pro-

ductivity, speed system updates, and generally make life easier for information technology managers. It is seen as a technology that may be vital if business managers are to cope with the increasing complexity of the electronic world. The industry promises it is more than a fad. Its success depends in part on the industry's ability to agree standards that will allow users to buy any software component - or object that will work on any PC, minicomputer or mainframe, in any system or network, and with any other piece of software. It is a tall order for such a competitive industry, but the foundations are being laid. Strategic alliances have been formed to bring the technology to the market. And while there is much talk of co-operation, competition for stan-dards is fierce.

OO has been around for decades. bot it is only just starting to move from the programmer's lab into the real world. It is essentially a new way of writing software and of creating an interactive computer world: components are created that are defined by task; they can be fitted together to build a customised and flexible computer environment. Reusable components can be added or taken away to enhance or update a system. A component might be a customer list, or for a manufacturer it might be a pump.

"OO is like Lego," says Staffan Ahlberg, managing director of IBS, a Swedish software company in which IBM has a 10 per cent share.

The bricks can be built into whatever the company wants. They fit together and can be taken apart and re-used to build something different. And they are compatible with Duplo, the bigger building brick." IBS is spending \$40m (£24.6m) on developing its OO strategy over the next four years.

Components should more closely resemble a manager's real tasks than a standard package designed The software industry is focusing on an increasingly complex electronic

world, writes Sheila Jones

Objects of desire

NO-KEEP BACK! | DIDN'T SPEND FOUR YEARS DEVELOPING THE INDUSTRY STANDARD SO EVERY TOM, DICK AND HARRY COULD USE IT



to do everything for every business. The technology should speed up the writing of new programs. If a modification is needed, a component can be easily pulled out, rewritten and slotted back in. Disruptive overhauls should be unnecessary.

The main benefit, according to Honeybone, is that OO technology will ultimately solve the problem of integration between the different applications that people have on their desktops, mid-range systems or mainframe.

This is where the arguments start. Microsoft says it is committed to co-operating with the industry to create standards in an inter-opera-ble world. IBM, its arch-rival, says Microsoft is doing its own thing and will hold up the whole market. So far, the industry has focused

on developing a framework within which the technology will work, creating programming languages and tools for the development of object systems. The creation of standards to allow OO to work across disparate systems is being co-ordinated by the Object Management Group, a forum of more than 400 software users and vendors, including IBM, Microsoft. Apple Computer and Hewlett Packard.

The starting point for enabling objects to send and receive mes sages is the OMG's Corba (Common Object Request Broker Architecture) standard messaging system. Several of the large software companies, including Apple, IBM and Hewlett Packard, through their Taligent joint venture, have said they will support the OMG standard, but there is no guarantee that all the big companies will go along with it. Microsoft has developed Ole,

which operates on Windows and which operates on Windows and Macintosh systems. The company "has chosen not to play", as one industry analyst puts it. It is not the only one. Sun Microsystems is sometimes on the bus and sometimes not." Sun points out that it is a founder OMG member and is "totally committed", while Microsoft argues that it, too, is co-operating with the OMG and is trying to ing with the OMG, and is trying to develop a system that will bridge the gap between Ole at the desktop.

and Corba at mainframe level. Steve Mills, IBM's chief OO strate gist, says IBM will be better pre-pared in e rapidly changing market with products such as its SOM and OpenDoc object communication standards that are compatible with

other systems.

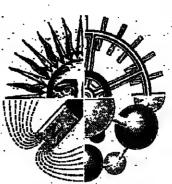
Today's deaktop – where Microsoft currently dominates – will change "beyond recognition" in the next 20 years. "It will need a broad base of industry standards," says Mills. Microsoft's approach simply means "more work" in reaching

Some software users fear that moving to OO will mean throwing out millions of dollars worth of soft-ware and starting from scratch, Mills believes the shift will be incremental, although some in the industry say it might still require a heavy initial investment.
Inter-operability and standard.

off-the-shelf objects are still a long way off, but "scores of corporate developers are already implementing large-scale OO applications to run important segments of their business", according to a recent Taligent study. Companies such as American Airlines, ICI, Texas Instruments and Eastman Kodak are using 00 software languages and tools to create customised packages. Rapid development times and reusability of programs are cited as the main reasons for adopting the technology.

Many small software companies committed to OQ are putting together packages tailored to their customers' needs. Object Oriented Technologies, a UK management buyout, has produced packages for health care companies and firms in health care companies and firms in the financial sector. "OO is in its youth, but it needs an infrastructure and component standards,' says Chris Nugent, sales director. "As a technology it is the obvious

Worth Watching · Vanessa Houlder



Robotic device for brain surgery

A robotic device that could enable brain surgery to be performed with greater precision has been devised by a Swedish company.

The SurgiScope system. developed by Elekta Instrument. stores scanned data about the brain in a computer. When the surgeon selects an area to treat on the scanned image, a robotic tool-holder correctly positions the microscope on the corresponding area of the patient's brain.

The surgeon removing a tumour can then monitor progress on the scanned image, where the outline of a tumour is easier to see than in the brain itself.

Elekta Instrument: Sweden tel 8402 5400; fax 8402 5500.

Cleaner water for

shrimp farmers

Pollution can devastate shrimp farms, as toxins increase the shrimps' vulnerability to infection. Farmers try to deal with the contamination by changing the water, but this is expensive and transports the

pollutants elsewhere. Epicore Networks, a Canadian company, believes it has developed a cheaper, more effective, solution with a microbial product that produces enzymes that break down waste. The product, called Epicin, has . been trialled in Indonesia, where it reduced the concentration of ammonia, nitrite, nitrate and phosphate in the water.

Epicore Networks, Canada, tel 233 8900; fax 233 8914.

Sonar guidance for wheelchairs

Some disabled people find steering electric wheelchairs through doorways and down corridors prohibitively difficult. Engineers at Portsmouth

University are tackling the problem using sonar guidance technology developed for robots.

Miniature ultrasonic sensors are installed which use sound measurements to gauge the chair's distance from a wall or door. An on-board computer can then make fine adjustments to the path of the chair. The sensors are being added to

wheelchairs by Quest Knabling Designs, a Gosport-based company, which plans to bring. wheelchairs fitted with multi-functional computers to the market at a cost of around £4,000 in 18 months' time.

The funding for the first phase of research, which has just been completed, was provided by the charity Action Research.

University of Portsmouth: UK, tel: (0)1705 842565, fax (0)1705 842351.

Speeding telecoms information flow

Bell-Northern Research, the research and development subsidiary of Canada's Northern Telecom, has developed a technique of switching massive amounts of information at terabit speeds - more than a million, million bits of information per

The company believes such technology will be needed in the next century to cope with the greater quantity of information moving through telecommunications networks

because of the proliferation in multimedia services. The system involves electro-optical technology and a

technique known as wavelength division multiplexing, which transmits information in four

Bell-Northern Research: Canada, tel 763 2211; fax 763 4504

Mountain-top view of the weather

Weather forecasting in Scotland's mountains is being enhanced by the installation of a tiny smart camera with on-board processing capability in the weather station on the summit of 1,245m-high-Catrogorm, writes James Buxton. The camera, an Imputer made by VVL, trading arm of Edinburgh-based Vision Group, snaps the view every half-hourand transmits it by low band

width radio for analysis. VVL: UE, tel (0)131 539 7111; fax. (0)131 539 7141

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Non-wovens from DuPont are several families of "fabrics" that are made of randomly-laid fibres. These structures may be of man-made or natural materials, and can display a variety of characteristics, such as immense strength, water resistance, barrier properties and vapour permeability, absorption, chemical resistance and dimensional stability.

TYVEK roof lining is truly revolutionizing new home construction. By keeping out the weather while at the same time allowing moisture to escape, this thin, strong sheet material enables the under-roof space - traditionally left ampty - to become usable living space.

Not only do home owners get more living area for their money, they save significantly by reducing energy loss. And because the cause of condensation damage is much reduced, expensive and possibly toxic wood treatment is not neaded either.

Denying bacteria a foothold

One field that has benefited especially from DuPont Nonwovens is the prevention of infection. For example, in most operating theatres you'll find the OR staff wearing disposable sterile gowns, and patients protected by drapes made of nonlinting OuPont SONTARA, a process whereby fibres are "hydroentangled" without the use of binders to form a strong vet soft material.

TYVEK, too, has important applications in the medical field. Its properties of high strength and gas

*Defunt's registered trademark

permeability make it ideal for sterile packaging. A surgical instrument, for instance, is placed in a tray, sealed with a peelable lid of TYVEK, and then gas-sterilized. Bacause the molecule-sized holes in tha TYVEK are too small for bacteria to enter, the contents remain completely aseptic until they are neaded.

Beneath your feet or under your wheels

Another versatile non-woven from DuPont is TYPAR, a highly stable polypropylene sheet with exceptional strength and filtration properties which are exploited by architects, landscapers and road



builders. As you drive down a new stretch of highway, buried deep below the road surface is a sheet of TYPAR that's helping stabilize tha roadbed by separating different layers of material and draining away excess water, or controlling unwanted plant growth.

TYPAR's stability is also put to use in another unseen application: your carpet. As a backing for fashionable.



high quality tufted carpets, it is easier to work with than woven materials. and resists pattern distortion better.

In another new underfoot (literally) application SONTARA is increasingly being used in sport shoe linings -- it is soft and comfortable and, importantly, its strong "wicking" propartias carry away axcass moisture from the foot before it can cause chafing or blisters.

Protection for people in hazardous conditions

Chemical processing, crop and paint spraying, asbestos removal, toxic cleanups -- jobs that are



hazardous to the health are all too many, and to do them effectively the workers must be both protected and relatively unrestricted. The barrier properties, chemical resistance, strength and lightness of TYVEK work together to make TYVEK-PRO.TECH* limiteduse apparel the ideal specific protective clothing in dangarous situations. After use they can either be incinerated (when TYVEK burns it is converted into energy and water) or, when free of hazardous contamination, it can be easily recycled.



Fold and unfold this map a thousand times

imagine ... sea charts and fishing guides that won't get soaked, luggege tegs and ski passes that won't rip, signs that won't shred, bags that won't burst, envelopes that stay intact and road maps that'll outlast your car. Tha strength, water resistance, lightness and sheer printability of TYVEK make it ideal for demanding graphic applications.

Innovations from DuPont

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Cinema/Stephen Amidon

Legend turns into a tall tale

egends of the Foll is an unahashed, full-blown melodrama that will be best enjoyed if taken far less seriously than intended. Based on Jim Harrison's 1978 novella, it traces the catastrophic fortunes of the Ludlow clan as they battle the world in early 20th-century Montana. Like the family it portrays, the film starts out strong, only to fade into

chaos and hyperbole. The Ludlow patriarch (Anthony Hop-kins) is a former US Army Colonel who resigns his commission in disgust at the treatment of the Plains Indians. He retires to the rugged western wilderness, where he raises three sons with the help of a sagacious old Cheyenne warrior. His idyll is eventually shattered, however, by the debased civilisation he sought to escape. His youngest boy Samuel (Henry Thomas) is killed in the first world war, leaving bis middle son Tristan (Brad Pitt) consumed with grief and guilt that drive him around the globe for a half-decade. To make matters worse, the eldest, Alfred (Aidan Quinn), becomes a celebrated member of the government the Colonel so despises. In the Roaring Twenties things fall further apart - there is a broken marriage, a murder and then a suicide. It is only a show-down stemming from Tristan's activities as a bootlegger that finally brings the fam-

For a while, Edward Zwick's film is a passionate, rip-roaring view of a clan being ground to hits by a century in which it does not belong. With their god-like patriarch, unstinting filial devotion and deep love of the untrammelled land, the Ludlows suggest an Edenic perfection, a family that is a world unto itself. The story's tragic irony is that boys do not care about paradise - they want more earthly adventures.

Brad Pitt is eminently watchable as he

LEGENDS OF THE FALL **Edward Zwick**

CAPTIVES

Angela Pope **EXOTICA**

Atom Egoyan **EYES WITHOUT A FACE**

Georges Franju

THIN ICE Fiona Cunningham Reid

portrays this youthful energy smashing against the rocks of the tumultuous world. Although his flowing locks and fashion-spread preening seem a bit out of place in the 1920s, his performance is shot through with a barely controlled passion, particularly when he resorts to scalping German soldiers in revenge for Samuel's death. Quinn and Thomas are also fine as his very different brothers, as is Julia Ormond in the tricky role of the beauty beloved by

Unfortunately, like the officers commanding the Ludlow brothers in Flanders. director Zwick allows his film to go over the top once too often. He ladles too much importance into what should have been a cracking family saga. The film is too long hy a good half-hour, allowing in hogus spiritualism, redondant mountain panoramas and overly fraught encounters. And the concluding shoot-out is both long in coming and short on credibility. Worst of all is Hopkins, who cooks up a great smoked ham of a performance. His frenetic sputterings as the stroke-ravaged Colonel remind us that a film that wants to be a legend sounds a lot more like a tall tale.

Continues is another movie that starts out strongly only to lose its way. Angela Pope's feature debut is the story of Rachel (Ormond, again), a recently divorced dentist who finds work in a London prison, where she meets an intriguing convict. Philip (Tim Roth). They commence o clandestine affair, though their happiness is threatened when Rachel discovers that her lover is in prison for killing his wife. Mat-ters grow thornier when Philip's co-prison-ers try to force Rachel to sneak drugs and weapons into the jail.

The film's early moments are plausible and affecting, thanks largely to some deft writing by Frank Deasy and good performances by the leads. Roth is particularly beguiling, combining innocence and danger of the company of the compa ger in a way that makes credible his attraction for a lovelorn yuppie. And the film's suggestion that there is an erotic undertow in dentistry is a truism of mod-ern life that is too-seldom probed.

Unfortunately, what promised to be a quirky story of bar-crossed lovers soon becomes a decidedly rote thriller. The concluding spasm of violence resolves none of the emotional issues raised in the early scenes. What started out as an intriguing mind game winds up as hackneyed gun

The Canadian director Atom Egoyan has always been easier to admire than like. Up to now, his films have proved puzzles with few clues and no real solutions. With Exotica, however, Egovan has made an accessihle, compelling movie. This time, the psychosexual conundrum can be solved by

The film's action is centred around a high class strip club, where Francis (Bruce Greenwood), a grief-stricken tax inspector,

nightly hires the services of a young pri-vate dancer (Mia Kirshner) to soothe his anguish. By day, he audits a homosexual pet shop owner (Don McKellar) who is involved in the illegal importation of exotic bird eggs, while hy evening he employs a teenage babysitter to "look after" his daughter, who was found murdered several years earlier. Back at the club, meanwhile, a brooding disc jockey (Elias Koteas), jealous of Francis's inti-macy with his beloved stripper, plots to

ruin him.
Although the film's various storylines appear to be unrelated at first, Egoyan ultimately draws them cunningly togethe in a network of grief and loneliness. His characters all hunger for the exotic in an effort to forestall their pain; they all want to return to some prefab Eden. Each fails, yet these failures lead to more real, more lasting connections. Exotica is a superb film - subtle, nuanced and deeply

n equally uncompromising view of the human condition is on display in Georges Franju's Eyes Without o Face, re-re-leased this week 36 years after its debut. Time has done little to dampen the power of this bleak story of an arro gant surgeon (Pierre Brasseur) who kidnaps young women in order to slice off their faces and graft them on to his muti-lated daughter (Edith Scoh). Although still effective as a deliriously

warped horror flick, what is most impressive about the film is its stark beauty Franju is nothing if not a poet, and his finest film is shot through with unforgettable imagery. Its final scene, in which the still-ravaged Scob wanders into the night surrounded by wild dogs and escaped doves, is one of the most powerful finales in cinema history.



A performance shot through with a barely controlled passion: Brad Pitt, eminently watchable in Edward Zwick's 'Legends of the Fall'

intentions are not always matched by the and occasionally incisive, at times talent on display. Fiona Cunningham Reid's story of a leshian ice dancer (Sabra Williams) who enlists an apparently straight partner (Charlotte Avery) for her same-sex routine at air of amateurism.

at Stratford last

Macaulay voiced some

reservations on this page), Adrian Noble's staging of A

Anthony Ward's designs

and down, some doors embedded in the backdrop,

and from time to time two

heftier doors which spring np

night-time acts in the middle.

pearl and transparent) fills the

air in depth. Titania's bower is

a giant red umbrella, inverted

and suspended. The compound

of prosaic modernity and

like all of Chris Parry's

sense of a dark, trackless

dramatic lighting.

simple magic is enchanting.

What we do not get is any

wood, nor therefore of the four

lovers' radical disorientation.

(Perhaps Noble decided not to

compete with Robert Lepage's

glorious mnd-puddle at the

National.) Rather, we stay

from the floor. For the "wood

near Athens" of the three

a starry constellation of

domestic light-bulbs (both

leave the stage all but bare: a

three-sided scrim that goes up

Midsummer Night's Dream bas

Thin Ice is a movie whose admirable the Gay Olympics is good natured bringing to mind sucb feel-good fare as Strictly Ballroom, Budgetary constraints, dead-slow pacing and a paltry story line, however, saddle it with an unshakeable

Obituary

Ginger Rogers

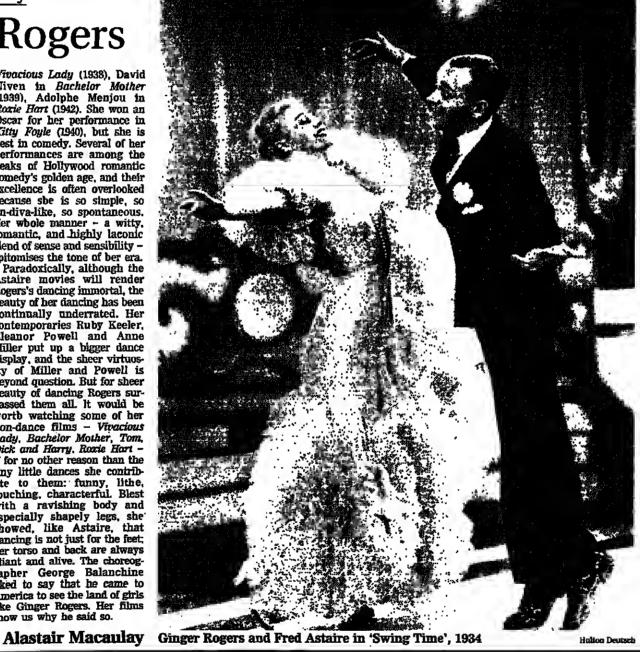
1911, and died this Tuesday. Few things in cinema are more touching than the way Ginger Rogers listens. When Fred Astaire sings Irving Ber-lin's "Cbeek to Cheek" (Top Hat, 1935) or George Gersbwin's "They Can't Take That Away From Me" (Shall We Dance, 1987) to her, the eloquence of his singing finds its ideal focus in her face. Her expression is economical in the extreme. She simply shows that she listens to him with ber entire being - with angelic gravity in the former, with beartful wonder in the latter.

In most of these cases, of course, the listening leads into one of their great dance duets. It is true that only with Rogers do Astaire's duets achieve an expressive beauty beyond his solos in each movie, and that only with Rogers and Astaire does dance in the movie musicals become a medium of seri-

She was married five times, and she went on acting in films up to 1965 and onstage until 1984. Her career had reached a neat conclusion in her unpretentious, amiable, though undistinguished 1991 autobiography, Ginger: My Story. After 1945 her film performances show her behaving with a new artifice, like a conscious icon. But her finest performances are in the films of ber first 15 years in Hollywood, 1930-45: not just in the Astaire musicals hut also opposita Katharine Hephurn in Stage Door (1937), James Stewart in

inger Rogers, one of the century's classic Niven in Bachelor Mother American girls, was born on July 16, Rozie Hart (1942). She won an Oscar for her performance in Kitty Foyle (1940), but she is best in comedy. Several of her performances are among the peaks of Hollywood romantic comedy's golden age, and their excellence is often overlooked because she is so simple, so un-diva-like, so spontaneous. Her whole manner - a witty, romantic, and highly laconic blend of sense and sensibility -

epitomises the tone of ber era. Paradoxically, although the Astaire movies will render Rogers's dancing immortal, the beauty of her dancing has been continually underrated. Her contemporaries Ruby Keeler. Eleanor Powell and Anne Miller put up a bigger dance display, and the sheer virtuosity of Miller and Powell is beyond question. But for sheer beauty of dancing Rogers surpassed them all. It would be worth watching some of her non-dance films - Vivacious Lady, Bachelor Mother, Tom, Dick and Harry, Roxie Hart if for no other reason than the tiny little dances she contribute to them: funny, lithe, touching, characterful. Blest with a ravishing body and especially shapely legs, she showed, like Astaire, that dancing is not just for the feet, her torso and back are always pliant and alive. The choreographer George Balanchine liked to say that he came to America to see the land of girls like Ginger Rogers. Her films show us why he said so.



now arrived at the RSC's London base in the Barbican. It is scenically austere, and yet properly magical; the verse-speaking is excellently clear and searching; the large contingents of schoolchildren in the press-night audience were delighted by the physical comedy. Could one want more? I think one might - but this is still a very good Dream.

 Un Ballo in Maschera: by Verdi. Conducted by Edward Downes, directed by Patrick Young and with soloists Deborah Voight, Lillian Watson and Luciano Pavarotti;

 Gala Concert The London Philharmonic Orchestra, Sir Georg Solti conducts Beethoven's

"Concerto for Orchestra"; 7.30pm; May 2 ● Philharmonia Orchestra: with violinist Anne-Sophie Mutter. Semyon Bychkov conducts Hindemith, Rihm and Beethoven;

Griffiths conducts the London

Gavin; 8pm; Apr 29

Philharmonic and Royal

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Christine Tears and Clare Rutter.

and tenors Adrian Martin and Julian

Royal Festival Half Tal: (0171) 928

'Symphony No. 7" and Bartók'a

7.30pm; May 3 The London Philharmonic: Franz Welser-Möst conducts Part, Sibelius, Martin and Shostakovich; 7.30pm;

 The Michael Nyman Orchestra: with harpsichordist Elizabeth Chojnacka and mezzo-soprano Hilary Summers. Includes "Carrington" premiere; 8pm; Apr 29 GALLERIES

Serpentine Tel: (0171) 402 0343 Take Ma (I'm Yours): a take-away exhibition selected by Swiss curator Hans Uirich Obrist; to May 1 OPERA/BALLET English National Opera Tel: (0171)

 Don Giovanni: a new production of Mozart'a opera. House debuts of Guy Joosten and conductor Markus Stenz; 7pm; Apr 27, 29 Royal Opera House Tel: (0171) 304

 Mixed programme: includes a. new production of Ashton's "Rhapsody" and a William Forsythe world premiere; 7.30pm; Apr 27, 29 7.30pm; Apr 28 THEATRE

Barbican Theatre Tel: (0171) 638

MADRID

■ MUNICH

GALLER!ES Bayerische Staatsgemäldesammlungen Tel: (089) 23 80 50 Henri de Toulouse-Lautrec: posters; to Apr 30 Haus der Kunst

 Deutsche Romantic: previously on show in London, this exhibition has created much discussion in Germany. It examines impact of the work of early German Romantic painters on successive generations of German artists; to May 1

■ NEW YORK

CONCERTS Alice Tully Hall Tel: (212) 875 5050 New World Symphony: Michael Tilson Thomas conducts Ives, Dahl, Bach and Copland; 8pm; Apr 29

Avery Fisher Tel: (212) 875 5030 American Symphony Orchestra: with conductor Leon Botstein, tenor Thomas Young, baritone William Sharp and the New York City Gay Men's Chorus in a programma celebrating the 50th anniversary of tha founding of the United Nations; 3pm; Apr 30

New World Symphony: Michael Tilson Thomas conducts Mahler and his own "Diary of Anne Frank"; 8pm; Apr 28

Carnegie Hall Tel: (212) 247 7800 Boston Symphony Orchestra: with soprano Sylvia McNair. Seiji Ozawa conducts Ravel, Schoenberg and Berlioz; 8pm; Apr 28 Murray Perahia: piano recital;

8pm; May 2 • The Cleveland Orchestra: Robert Shaw conducts Mahler'a "Symphony No. 8"; 8pm; May 4 (7.30pm)

CONCERTS

Châtelet Tel: (1) 40 28 28 40 Daniel Barenboim: pianist and conductor with the Orchestre of the Deutsche Oper Bertin in a programme that includes Beethoven:

National Orchestra of France:

GALLERIES Musée d'Orsay Tel: (1) 45 49 11 11

James McNelll Whistler: to Apr

OPERA/BALLET

Tal: (1) 47 42 57 50

of them, and for a while they keep Hermia trapped behind ooe) - more farcical than eerie or dismaying. As is almost standard practice now, two players

Theatre/David Murray

Austere but enchanting

Midsummer Night's Dream

doors are regularly called into

comic service during the forest

misadventures (Lysander and

Demetrius blunder in and out

quite literally indoors; those

double as Theseus/Oberon and Hippolyta/Titania: also Philostrate/Puck, to less purpose, and the "rude mechanicals" with the hit-part fairies to no purpose at all. (The original doubling is often credited to Peter Brook's revered 1970 production, but wrongly: a year or two earlier a fine Salzhurg Festival production - in the luminous old Tieck translation – had done that already, and made better sense of it than any version I've seen since.) Stella Gonet's pair of vital Queens are nicely matched, but Alex

Jennings' two Kings are

ohviously the main point. From the start his Theseus is obstreperously languid, in arch Noel Coward style: released into his fairy role, he becomes a voracious queen. Though Barry Lynch's Puck is plainly his devoted catamite, be cries alond – always elegantly – for Titania's little Indian boy, whom we never see, and gloats darkly over her spellbound lust for Bottom in his donkey-guise. If all the fairy-play is a dream, as the dream is it? We never know.

Lynch's Puck is sinnous and

pantalooned; bardly a trace of the lusty folklore-imp remains. Bottom is Desmond Barrit, grandly overweening but not so disarmingly eager as the best Bottoms; be operates in a private world of his own. The lovers are prosaically bright -Emma Fielding and Emily Raymond as the girls, teed off in the usual way as "dwarfisb and low" v. "painted maypole"; Toby Stephens' brittle, junior-heroic Lysander; Kevin Doyle's baffled Demetrius, weakly protesting and practicedly funny.

narcissistic, bare-chested and

Towards the end, when Demetrius declares that his undying love for Helena has supplanted bis undying love for Hermia, we have no reason either to believe him or not and it would make no difference. That does seem to be a failing. If the Dream is par excellence an ironical view of yonthful passions, it would help to have a real passion or two on display.

Noble's is an oddly non-committal reading. Romantic affliction, even of the transient adolescent kind. gets hardly a look-in, not even with this onconventionally young Theseus (no mature wisdom, just fanciful effusions) and bis Hippolyta. If we are to be unromantically disabused, we should be conned a hit first.

For all its deft precision.

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INTERNATIONAL

■ AMSTERDAM

GALLERIES Rijksmuseum Tel: (020) 673 21 21

The Age of Elegance: exhibition reflecting 18th-century Dutch art; from Apr 29 to Sep 24

■ BALTIMORE

CONCERTS Symphony Half Tel: (410) 783 8000 Baltimore Symphony Orchestra: with guitarist Manuel Barrueco. James Paul conducts Vivaidi, Puccini and Respighi; 8.15pm; Apr OPERA/BALLET Lyric Opera House Tel: (410) 727

 Manon Lescaut: by Puccini. Conducted by Joseph Rescigno and directed by James de Blaisis with soloists Barbara Daniels, Elizabeth Byrne and Patryk Wroblewski; 8.15pm; Apr 28, 29, 30 (3pm)

■ BERLIN

Deutsche Oper Tel: (030) 34384-01 OPERA/BALLET

Lohengrin: by Wagner. 6pm; Apr

■ BRUSSELS

CONCERTS Beaux-Arts Tel: (02) 507 82 11 ■ Belgian National Orchestra: with the Brussels Choral Society. Yuri Simonov conducts Elgar'a "The Dream of Gerontius"; 8pm; Apr 29 OPERA/BALLET De Munt/La Monnale Tel: (02) 218

 Idomeneo: by Mozart, A new production conducted by Philippe Herreweghe and produced by Joél auwers; 7.30pm; May 2, 4

■ FRANKFURT

CONCERTS Alte Oper Tel: (069) 1340 400 Radio Symphony Orchestra Frankfurt: Andrew Litton conducts Elgar, Walton and Britten/Dowland: 8pm; Apr 27, 28

LONDON

7.30pm; May 4

CONCERTS Barbican Tel: (0171) 638 8891 English Chamber Orchestra: with soprano Barbara Hendricks. Hubert Soudant conducts Pergolesi'a "Stabat Mater" and Fauré'a "Requiem"; 8pm; Apr 27 Grand Classical Gala: Martin Merry conducts the National Symphony Orchestra in a programme that includes Verdi, Orff. Strauss and Ravel; 7:30pm; Apr 30

Isaac Stem: violinist with planist Yefim Bronfman plays Mozart. Janáček, Schubert and Bartók;

Puccini Gala Night: Paul Wynne

 Twelfth Night: by Shakespeare.
 Directed by lan Judge; 7.15pm; May 1, 2, 3, 4 (2pm)

GALLERIES Prado Tel: (91) 420 28 36 Sebastiano Del Piombo: Venetian-born artist of the Italian Renaissance. This exhibition explores his influence on Spanish painting; to Apr 30

PARIS

Champs Elysées Tel: (1) 49 52 50

Charles Dutoit conducts a concert performance of Debussy's "Pelléas Mélisande"; 8pm; May 4

Opéra National de Paris, Bastille Iphigénie en Tauride: by Gluck.

produced by Achim Freyer. Soloists includa Carol Vaness, Anthony Michaels-Moore and Kelth Lewis; 7.30pm; Apr 27; May 4

Conducted by Graeme Jenkins

■ VIENNA CONCERTS

Gesellschaft der Musikfreunde Tel: (1) 505 13 63 An Evening with Agnea and Ruggero: mezzo-soprano Agnes Baltsa and bass-baritona Ruggero Raimondi accompanied by pianis Ronald Schneider, 7.30pm; May 3 Budapest Festival Orchestra: with pianist András Schiff, Ivan Fischer conducts Bach, Bartók and Beethoven; 7.30pm; May 2

Viennese Mozart Academy: with clarinettist Peter Schmidl. Yehudi Menuhin conducts Mozart, Part and Shostakovich: 7.30pm; Apr 29 Viennese Symphony Orchestra: Georges Prêtre conducts

GALLERIES Kunst Haus Wien Tel: (1) 712 04 91 Jean Dubuffet: to Apr 30

Schoenberg and Beethoven;

7.30pm: Apr 28

■ WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467

 National Symphony Orchestra: with planist Tzimon Barto. Zdenek Macal conducts Ott, Grieg and Brahms; 8.30pm; Apr 27, 28, 29; May 2 (7pm)

 National Symphony Orchestra: with violinist Joshua Bell. Richard Hickox conducts Britten, Ravel and Beethoven; 8.30pm; May 4

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Tonight

Germany through rose-tinted glasses

preceded at festive occasions hy praise singers who warm up the audience with tales

of their ances-REVIEW achievements. Mr Radice casts himself as a praise singer for modern Germany, which he portrays as a shining example of Europolitical correctness and, hy implication, a role model for a Blair-led Britain.

There is much to admire and to envy in modern Germany. Mr Radice rightly cites the strength and stability of Germany's democratic institutions and federal structure. He drools over the social market economy, which he credits with combining wealth creation and social cohesion. He lauds Germany as the most devoted adherent of a federal Europe and - in contrast to the UK - the most reliable part of the European order.

Refreshingly, however, the Germans are a good deal less starry-eyed about themselves. It is impossible to live in Germany, as I have, and not be struck by the extent of their self-doubt and worries. They are also much more open than their apologists in acknowledging the misgivings which others still harbour about them and more honest in addressing them unflinchingly. One thinks of former President Richard von Weizsäcker's words: "Whoever closes his eyes to the past becomes blind

to the present".
Mr Radice's panegyric has many good points, it is full of lively first-hand accounts of his own conversations and encounters the length and breadth of a reunited Germany, it is clearly written and concise. But it ducks most of the difficult questions, preferring to see Germany through rose-tinted spectacles.

It is revealing that Mr Radice admonishes the Chequers Memorandum - the summary note of the controversial Chequers seminar convened by Mrs Thatcher in March 1990 for asking the "tactless" question whether democracy in Germany could survive a major setback. Yet the purpose of the seminar was to sindy

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THE NEW GERMANS By Giles Radice Michael Joseph. £16.50. 256 pages

Germany warts and all: no responsible government could base its foreign policy on the assumption that Germany arrived new-horn in 1945. It may be that enduring national characteristics do not exist -Germany has been noted in the past as much for pastoral and artistic pursints as for nationalism or militarism. Even so, it is never safe to disregard history or tear up the past.

Moreover, it was quite clear in 1989-90 that a freshly reunited Germany would pose a new challenge to the rest of Europe - not necessarily a dangerous one, but a challenge nonetheless. How would it fit in the European Community? Would its attention benceforth be directed more to the East than to the West? Would its economic strength mean that it would dominate Europe?

Britain was not the only country asking these questions. No European leader was more shaken - albeit privately - hy the prospect of German reunification than President Mitterrand, who for public purposes was Germany's closest partner and friend.

ill Germany's remarkable economic success continue into the future? The answer is not clear-cut. In many ways the German economy remains highly restrictive, particularly as regards ownership of companies and the financial services sector generally. Moreover, as one percipient British diplomat is quoted in the book as saying: "Germany has the world's oldest students, the youngest pensioners and most expensive workers". Nor is Germany necessarily as well placed for the next industrial revolution focusing on computers and electronics as it is in the more traditional heavy

engineering field. Against that, great German companies such as Daimler-Benz and Krupp have shown extraordinary resilience in coping with the recession, hy successfully cutting costs and

restructuring. Like Mr Radice, I would still put my money on the success of Germany industry, well into the next century.

Germany's future role in Europe also needs to be searchingly examined. The reality is that Germany will dominate the European Union. That is not so much German policy hut the inexorable result of its size and success. Those with some sense of history will recall unhappy precedents such as Bismarck's design for economic dominance through "industrial norms", or even the 1940 scheme for a Bank of Europe that would fix all European currencies against the Reichsmark with "special

I do not suggest that German motivation in supporting economic and monetary union now is remotely similar. But there is no attraction for the British in a German agenda which locks its European competitors into German industrial costs via the Social Charter. and into German monetary and interest rate policy via a single currency. Nor - ratio-nally - should it for others, if only they could escape from their hidebound obsession with the political goal of ever closes

arrangements" for the pound.

Mr Radice clearly yearns for Britain to follow the policies aud practices which have brought Germany post-war success. The UK could certainly do with the success. But I don't helieve we shall find it hy aping Germany. That is the mentality of Euro-conformism.

Our best hope of success is to he more flexible than Germany in our lahour market, more competitive than Germany in our costs, less restrictive than Germany in our financial services, more open than Germany to foreign investment, more nimble than Germany in responding to the challenge of Aslan competition. But that does not seem to be the way which Mr Radice wants Britain to go.

Charles Powell

Sir Charles Powell was foreign policy adviser to Mrs Margaret Thotcher and Mr John Major and is now a director of Jordine

THE FT INTERVIEW: Fernando Henrique Cardoso



ians, according Fernando Hen-

rique Cardoso, is that they cannot believe their luck. He describes their complaint

in Portuguese as fracasso-

mania, which means "a craze for failure" "We are all the time looking for disaster," says the man who took over as head of state on January t. "We keep saying:

'It cannot be true, it's so good. it is impossible to continue'." He is talking about the remarkabla success of the new Real currency, which he introduced last year as finance minister under the previous administration of President Itamar Franco, tts launch saw the country's chronic inflation plummet from 50 per cent a month last June to less than 2

per cent in mid-April. Yet today, there is a growing fear in the country and abroad that it may not last. Inflation is picking up, and could pass 3 per cent a month in May. A surge in imports forced the government to devalue the Real last month, and real annual interest rates have hit 40 per cent, with painful consequences for the cost of servicing the bloated public sector

"These fears are not based on firm ground," Mr Cardoso insists. "Today we have the lowest rate of inflation for 26 years. We had a wonderful harvest, with 80m tonnes of grain, which is a record. Foreign investment is continuing to flow in. And we have never exported so much before. Even the hudget situation is quite comfortable. We have never collected so many taxes. So why do we have to he afraid of

the future?" When he came to power on January 1. Mr Cardoso enjoyed a popularity rating of around 70 per cent, and the future looked rosy. His background won him support from left and right: the son of a general. he was a left-wing academic who went into exile in Chile during the years of military rule. But after his return, he helped found Brazil's main social democratic party. He cast off many former bellefs, stressing instead the need for open markets and deregulation, while maintaining his concern for social issues.

"The world has changed a

Almaty

Beijing

Ohahran

Johannesburg

Tokyo

Teheran

Riyadh

Welcome To

Unmoved by the craze for failure

lot, but not in respect to social injustice," he says. "Brazil is no longer underdeveloped, but we have to fight against poverty. In a country like Brazil it is no longer ecough to say the market will take care of all

That means expanding what he calls "the social role of the state". And yet the future success of his Real plan, to which he owes his election, depends on spending cuts and reducing the state's role in the economy. Within four months of taking office. Mr Cardoso is under

attack from both left and right for failing to deliver, from the teft, for failing to act on his social commitment, and from the right, for failing to move faster on his economic reforms. As far as the Real stabilisation package is concerned, he has sent to the Brazilian con-

gress proposats to allow greater private sector competition against the big state petroleum and telecommunications monopoties, Petrobras and Telehrás, and to reduce discrimination against foreign investors. He has also tabled plans to cut costs in the social security system.

He has not yet put forward reforms to broaden the tax base, leaving the government hudget dependent on emergency financing measures which will run out at the end of this year. Without rapid action, his critics say, the battle against inflation will be

Mr Cardoso appears more concerned that changing the tax system would offer congress the opportunity to reduce rather than increase federal taxation. He predicts that a tax package could be submitted to congress "maybe in a couple of weeks". However, be warns: "If we estimate it will be difficult to get the reform approved this year, we will ask again for emergency funding."

Mr Cardoso is also refusing to rush on privatisation. This week, the first studies on selling off the electricity sector were announced. But he says it will take two years to dispose of Companhia Vale do Rio



Cardoso: wants the congress to produce its reform

Doce, the iron ore, gold and manganese mining company that should be one of Brazil's biggest privatisations, "This is a \$12hn asset company. It takes time. Otherwise congress will try to nullify my decision for not protecting the national interest.

On all fronts, the president's greatest political challenge is to persuade congress to back his policies. Although his coalition government commands a majority, the political parties are weak and based on personalities. He bas to win the backing of different alliances of

interest groups on each issue. "There is a tremendous confusion in any process of decision-making hy a new con-gress," he says. "Every four years there is again turmoil, hecause the deputies believe they have enormous powers to criticise the government; they will vote against it, they like to

receive some trade-off He wants political reform, hut prefers congress to he seen to be taking the lead. "I have decided not myself to send a political reform," he says, "l want congress to produce their

broad agreement on what changes are ueeded. "We have a bad proportional

system." he says. He favours a German-style system mixing individual constituencies with party lists, which would "give voters more knowledge about each candidate, and give representatives more responsibility to their constituents".

Political analysts in Brazil believe a reform of the electoral system is essential to improve the quality of representation and curb endemic corruption hut fear that con-gress will he unwilling and unable to reform itself. Mr Cardoso disagrees, saying it will be "less difficult" than the economic reforms.

In response to his left-wing critics, he stresses the need for new initiatives on education. health and unemployment. He promises a new programme to target the 100 poorest cities in the country. "We have in Bra-zil pockets of misery." he says. Yet the government alone could not afford to tackle them. "We have to ask civil society to join the government in trying to combat that mis-

Brazil remains "a hig country with enormous internal problems," he says, but the answer is no longer to seek to develop behind protectionism.

"We are trading with practically all parts of the world. In that sense we are not provin-cials. On the other hand, we don't pretend to he a hig power. We are not orientated towards grandeur. We are rather modest in our self-perception.

He is determined to raise Brazil's international profile, saying it is important that the country should be "more active" in UN peacekeeping operations, after its involvement in Angola. He also intends to maintain Brazil's campaign for a seat in an enlarged UN Security Council,

Yet he knows that Brazil's international influence will depend on its success with economic reform at home. When Mr Cardoso was contemplating running for president last year, he hesitated, for fear it would undermine his anti-inflation plan. In the end, be decided to stand, in order to preserve it. Success in that aim will be the test of his presidency.

Angus Foster and **Quentin Peel**

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL We are keen to uncourage letters from readers around the world. Letters may be laxed to +14 171-873 5938 (please set fax to 'fine').

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Engineer's naive plea is only a cry in the wilderness

From 31r Z. Kowszun.

Sir. How naive can you get! I refer to the letter by Mr Brian Kent ("Education needs better funding". Letters, April 221 in which he avers that "engineering is surely the wealth creator in the ITK and unless universities set high standards the industrial base will not grow and seize the opportunity it now has in abundance on the worldwide scene"

No sir! Anyone will tell you that engineers are those silly people who want to spend money on maintaining plant while they cannot guarantee that the product will go off specification without maintenance: they want to spend money on plant expansion instead, pushing it to the limit and past the limit - just as is possible with people.

No. we do not want engiwealth is created by suitable investment strategy, manage-ment strategy, takeover strategy, even playing real-time Monopoly with clients' money, hut not hy engineers. Engineers tend to think on a totally unacceptable time-scale of 3, 5 or even 10 years or more (I am holders want their dividends this year. It may be acceptable to think in terms longer than a year in Germany and Japan but not here, where 6 months is seen as long-term planning. As for wanting "good teach

ers" adequately paid - what nonsense, we want to save money on education now! No Investment adviser worth his salt would suggest that you to invest in an expensive vecture which may pay off after about 15 years. No politician would win votes by advising such a course of action, even if some olly spanner-wielders or plantdesigners think that it would be a good thing. We live in the real world of the City and it will take more than a few well-meaning, naive and probahly quite correct engineers to change it. How I wish it were otherwise! Z. Kowszun

4 Witan Woy Oxfordshire OX12 9EU. UK.

Time for Britain's unions to learn from experience of American cousins From Mr Michael Allen. American unions have pio-

Sir, Britain's unions are certainly in a financial mess, as Robert Taylor and Andrew Bolger confirm ("A movement to money matters". April 241. But retrenchment alone is unlikely to provide a long-term solution. Many unions have realised that heing husiness-

like does not entail succumb-

ing to anti-political husiness

unionism. It may seem perverse to suggest that unions have much to learn from the US labour movement where overall union density is about 15 per cent tsingle figures in the private sector). Yet the British unions' hostile environment is in many ways closer to the US model than continental Europe's cosy

neered innovative recruitment techniques and initiated radical organisational "re-engineering", often drawing explic-itly on the insights of businesscentred strategic planning. For example, the service employees' SEIU, operating in a notoriously difficult sector for union organisers, enjoyed a 67 per cent increase in member-ship in the 1980s. That allowed the adoption of a new strategic reorientation involving more focused recruitment targets. community organising (employing "pyramid sales techniques), and computerising union branches. Taking management rhetoric seriously and investing in human resources, the union increased its full-time staff, recruited the

"hest and brightest", and arranged top-notch training. Other unions, like the communication workers' CWA. have henefited from similar drives to hecome "strategydriven" unions, identifying priorities, core competencies and distinguishing essential from desirable services to members.

With "strategic unionism" showing similar benefits in Australia, surely British unions have more to gain from such a radical strategy than from a further round of short-term economies Michael Allen.

senior lecturer. International Business and Langunges, The Business School. South Bank University.

Korea has acted to improve market access for car imports

From Mr Duck-Soo Hon.

social partnership.

Sir, Allow me to comment on the concerns raised by Mr Willy de Clercq in his letter of April 10 regarding the degree of openness of the Korean automohile market. I presume Mr De Clercq is

not aware of recent actions taken by the Korean government to improve market access for imported cars. Last June the government announced market-opening measures. which took effect on January 1. They include a reduction in the tariff on auto imports from 10 per cent to 8 per cent which is lower than the EU's tariff (10 per cent), the adoption of a uniform acquisition tax of 2 per cent that applies to imported and Korean-made cars, and the removal of restrictions on exhibiting showrooms imported cars. A change in the regulations governing advertising makes it easier for auto importers to buy TV airtime.

Even before these measures, auto imports into Korea were showing impressive growth. In the first two months of this year, imports of European cars to Korea expanded six-fold over the same period of 1994.

with alleged non-tariff harriers.

The market share of imported cars remains very low. But this has little to do

unless consumer attitudes can he so considered. However, such attitudes are beginning to change, as indicated by the relative success of Mercedes Benz in Korea. This is largely owing to the company's effective marketing strategy. There are still differences

between Korean and European technical standards that need to be discussed. But I hope that Mr De Clercq would agree that Korea's automobile market is substantially open to imports. The tariff level is reasonably low and identifiable non-tariff harriers have been largely eliminated.

in international trade, our goal must be the elimination of restrictions to market Mr De Clercq states that,

while the EU-Korean trade account is more-or-less in bal-ance, he nevertheless expects that "this may soon change", presumably in favour of Korea. Why? EU statistics show that the EU has maintained a trade surplus with Korea since 1991. This trend shows no sign of Duck-Soo Han,

Deputy minister for international trade, Ministry of Trade, Industry and Energy,

Fraser and the Faveds

From Mr Michael Cole.

Sir. The idea that House of Fraser was "neglected and starved of investment in favour of Harrods" ("Cost of putting a house in order". April 221 during its ownership hy the Fayed brothers is very far from the truth.

From 1985 until 1994, when they floated it on the Stock Exchange and the offer was 2.2 times oversubscribed, the Fayed brothers invested approximately £140m in capital projects. They carried out a branch-hy-branch rationalisation, closing the loss-makers and opening four full-line department stores in new shopping malls.

They financed the refurbishment or flagship stores like Frasers of Glasgow and Howells of Cardiff in the teeth of the worst recession in the memory of most retailers.

Whatever may all House of Fraser, it is not its previous owners who relinquished effective control of the company 18 months ago. I thought only politicians tried to hlame their current problems on the previous administration. Michael Cole, Director of public affairs,

Harrods. Knightsbridge

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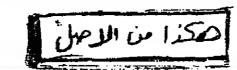
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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday April 27 1995

G7 and the currencies

The relationship of the group of seven leading industrial countries to currency markets resembles nothing so much as that between parents and unruly teenagers. It shows a similar auxiety and be wil-derment; it utters aimilar plous exhortations; and it reveals a similar absence of belief in its ability to do anything effective.

Even by the standards of recent communiques, the section on currencies this week from the G7 finance ministers and central bank governors was thin. They "expressed concern about recent developments in exchange markets. They agreed that recent movements have gone beyond the levels justified by underlying economic conditions in the major countries ... that orderly reversal of these movements is desirable... and to continue to co-operate closely in exchange markets."

On one point, the G7 is certainly correct. The yen and, to a lesser degree, the D-Mark are grotesquely overvalued. At just over 80 yen to the US dollar, Japan's GDP is some \$5,800bn, which is more than four-fifths of US GDP. Yat OECD calculations reveal that, valued at common prices, Japanese GDP is about two-fifths that of the US.

This is painful. Only yesterday, Mr Koichi Kato, chairman of the Liberal Democratic party's Policy Affairs Research Council, said thet "the United States should be more serious, more sensitive about maintaining the dollar's value". He went on to remark thet "at least the US should express a very strong will, a government intention to stop the dollar's fall". How does the US respond? Mr Robert Rubin. Treasury secretary, stated that, the most effective way to promote stability "is to get the fundamentals right and to

Bids for tha UK's Channel 5 are due on Tuesday. In inviting applications for the licence, the government has wrongly brushed aside the confusions which exist in UK media ownership rules. It would do better to address that muddle

Channel 5 is likely to be tha UK's last terrestrial channel under analogue technology. Most viewers will be able to receive it on existing sets. A government statement on the future of digital television is expected soon, but the prospects for thia technology, which could bring many more channels, are still unclear.

The launch of the new channel. which has been postponed repeatedly, is therefore welcome, as it could add considerably to the diversity of UK broadcasting. That is not to say that its financial health is assured - doubts on this score were presumably behind one contender's withdrawal this week. However, as groups have formed to bid for the channel - one con-

sortium includes Pearson, owner of the Financial Times - two points of unease have surfaced.

and industry secretary, doubtless hopes to avoid quarrels over Hong Kong when he visits Beijing at the head of a large business delegation next month. But even if he succeeds in ringfencing Hong Kong from the UK's broader relatious with China, any respite is likely to prove temporary. A number of issues remain outstanding. The most serious - and contentious - is the establishment of a court of final appeal, intended to be the territory's supreme legal body after China assumes control in 1997. Unfortunately, time is now running out.

Britain said last December that the Hong Kong government would table legislation to establish the court "early in the naw year". Unless this happens shortly after Mr Heseltine's visit to Beijing, there will be no time for the legislation to pass by the end of the session in the summer. Already business is becoming restive at what appears to be British dithering. Some contracts now being written in Hong Kong specify overseas law. If the territory is to flourish after 1997, it must have a predictable legal system of its own. That is arguably the single most important condition for its

unfortunate that the issue of the court of final appeal was flagged so clearly. The Hong Kong government argues that it needs to be set up early to provide a body of jurisprudence well ahead of 1997, but a year's experience is unlikely to help much in this respect. A more sensible approach might have been to leave the matter to China's preparatory committee, which will be closely involved in government in the immadiata

interest rates in the US and further fiscal consolidation almost everywhere. The IMF is right on budgets, not least for the US, where private savings rates are so low. It is quite possibly right about interest rates, too. At this point in the cycle, it does at least make sense for the US to err on the side of monetary caution. Nevertheless, a modest further

strengthen them where neces-

sary." In its latest World Eco-nomic Outlook, the International

Monetary Fund argues for higher

increase in the short term interest rate differential between the US and Japan would mean little in itself, when the currency can fall 20 per cent in four months. Japanese investors, nursing huge losses on foreign investments, will need more than this to change their minds about dollar assets. At some point, the markets will, indeed, turn. But the link between "getting the fundamentals right" and exchange rates is at best uncertain.

Can anything more effective be done? It can, but not by the US. The US is on the wrong end of this market and, unlike other countries with weak currencies, is too big to be bullied into the austerity it does not want.

The Japanese and Germans, by contrast, can create the currencies the world desires without limit. Understandably, they do not wish to do so. Yet they should stop complaining about the unwilling ness of the US to take action that probably would not work, if they are at least equally unwilling to take action that could. The sensible policy for all sides would be to do the best they can on the fundamentals and wait for overseas investors - even those from Japan - to realise that US assets are now in the bargain basement.

Channel 5

First, the government is currently rethinking rules on cross-media ownership, in the light of technological changes and the growing complexity of the industry. Regu-latory reform could eventually be extensive, but until ministers publish long-awaited proposals, their

inclinations are unclear. Second, there is wide and understandable concern about the par-ticipation of Mr Rupert Murdoch's News International in one of the groups, given its extensive owner-ship of national newspapers and satellite channels. An important principle of media regulation is, after all, the promotion of diversity of ownership.

Further delay in awarding the Channel 5 licence would be frustrating for viewers and applicants. Nonetheless, the channel is not so important thet a decision should he rushed through while these broader policy questions remain unanswered. The govarnment should postpone allocation of the licence until it has published its proposals for media ownership, which it should now do as a mat-

Going to appeal

Mr Michael Heseltine, UK trade

future success.

With hindsight, it may seem government in the takeover. The snag an important business matter.

is that the court is now an important test of Chinese attitudes to the future of Hong Kong.

London's desire to avoid a row is understandable, but the issue cannot now be ducked without giving a damaging impression of differences between London and the colonial government in Hong Kong. If it waits much longer the UK will face a serious loss of credibility in its efforts to bring about a smooth handover of power, and will risk appearing indifferent to the fate of Hong Kong after 1997. Some hope that China will even

tually approve the legislation, since it is simply the enactment of an earlier agreement reached with Britain as long ago as 1991. An obvious advantage in gaining China's active approval for the legislation is that there would be less risk of the arrangements being tampered with after 1997.

Yet the application by China National Airlines to aet up operations in Hong Kong, contrary to the earlier understanding that Chinese airlines would not operate internationally from Hong Kong, raises doubts about Beijing's determination to stick by existing arrangements. With so much other unfinished business relating to 1997 - over the airport financing, nationality and the right of abode and air traffic rights - such

doubts are worrying. The UK must soon encourage Hong Kong to put the legislation forward and defy China to renege on its 1991 agreement. Since a stable legal environment matters so much to business, China would have to decide whether to risk undermining confidence by objecting. It might still be angry enough to do so, but it is better that the world should know somer rather than later where it stands on such

or once economic commentators cannot talk about the dilemmas fac-ing British policy. For

this time there is no dilemma. When the "Ken-Eddie show" (the monthly meeting between the chancellor of the exchequer, Kenneth Clarke, and the governor of the Bank of England, Eddie George) reconvenes on Friday May 5, the overwhelming balance of evidence will point to an increase in UK base rates, indeed a benevolent dictator might raise them by a full percentage point. But in a cautious democracy, financial markets would be surprised if the move was by more than half of a percentage point to 7% per cent.

The political pressures will not help. For next week will see the local election results in which the only question will be: how ba will the Conservatives do? But the chancellor has had the sense to postpone the monthly monetary meeting from the usual Wednesday to the Friday - the day after the local elections. So he will be able to argue that he has not misled local electors, as the final, final decision will have been taken only the day after they have voted. The key political consideration is that the more that he is seen to be taking no chances with inflation, the more freedom he will have to announce modest "tax cuts" in the Budget without provoking the Bank.

Earliar on, it had been feared that there would be a conflict between the behaviour of sterling, which pointed to an increase in base rates, and a slowing down in domestle growth which pointed the other way. But the flash Gross Domestic Product indicator for the first quarter of 1995 shows the slowing down to be modest.

The importance of the flash GDP estimate can hardly be over-estimated. For it is the hest possible professional summary of all the indicators that have appeared relating to the first three months of the vear - and there are very few that go beyond that period. Prof Peter Spencer's "Divisia" index, which weights the components of the money supply according to the likelihood that they will be spent, reinforces the message.

Whether or not oil is included, GDP rose in the first quarter by an annualised rate of 3.1 per cent over the final quarter of 1994. Compared with a year before, and excluding oil, it rose by 3.7 per cent. These rates are well above all official estimates of underlying growth and suggests that any remaining capacity gap is being rapidly eroded. This last trend is shown directly by an answer to a question in the CBI survey which shows capacity utilisation well above average and at a rate exceeded only at the top of some previous booms.

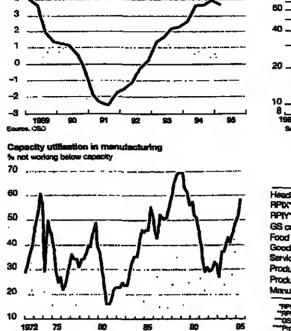
The official GDP press notice has an unusual prose footnote saying rather than expectations. So the

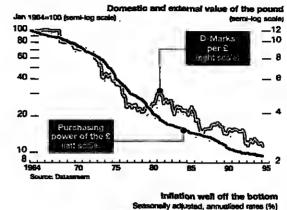
ECONOMIC VIEWPOINT

No dilemma for UK policy

By Samuel Brittan

The economy: not much slowdown and more inflation





Latest Latest Latest 3 mnths 6 mnths 12 mnths Recent Date trough Headline RPI 1.2 Jun'93 RPIX" 1.9 1.2 Oct 94 GS core RPI* 1.5 Oct 94 Goods QC Oct 94 3.2 Nov'94 Producer output onces *** 5.0 5.0 8.8 2.0 Jul 94 8.3 Producer input prices -3.3 Jan'94 8.8 Manuf, unit wage costs

that all the first quarter growth came from outside the "production industries" (which include manufacturing) which have remained flat. Yet up to now manufacturing has been at the leading edge of the recovery. Indeed the CBI survey suggests that the official figures have been under-recording manufacturing. The CBI now reports the strongest ever increase in export orders, with a balance of 34 per cent experiencing a rise.

Looking at total orders, including those for the home market, a positive balance of 27 per cent of firms report an increase. For output there is a similar positive balance. The CBI may be a little more optimistic than other surveys, but not enormously so; and It has a reliable track record, especially if one concentrates on questions of actuality

chances are that the official manufacturing figures will be revised upwards, and with them GDP. Unfortunately, both the move-

ment of sterling and of husiness costs suggest policy makers cannot get away with talking about the well-known uncertainties in underlying growth trends and capacity gaps. The government's favoured inflation indicator, RPIX, which excludes mortgage interest payments, is in the top half of the official 1 per cent to 4 per cent target range. More reliable "core" measures have also been running at 2 per cent to 3 per cent. Blgger increases have been seen in producer prices. Even if the apparent escalation in unit wage costs is an aberration, the rise in the cost of materials and components ("inputs") is not.

survey did not show reduced inflation pressures. The extravagant expectations of price increases entertained at the beginning of the year have indeed been deflated. Answers about prices actually charged show the biggest increase for five years and a large leap.

The best case against a base rate increase was made by Geoffrey Dicks of NatWest Markets. He shows that producer prices were squeezed relative to consumer ones while the UK was in the Exchange Rate Mechanism (1990-92) and suggests that old relativities might be restored with a limited effect on what the consumer actually pays. But he now accepts that this week's data have tipped the balance in favour of an interest rate rise. I have updated my regular chart

showing the uncanny parallel between the fall in the external and

internal value of sterling during the last three decades. Of course there have been intervals in which the two have appear to be divorced. An example was when the UK left the ERM in a period of severe recession. But the breathing space which that provided is now over; and even minimal estimates, based on the impact of the latest devaluation on import prices alone, suggest that it could add between a 1/2 per cent and 1 per cent to the inflation rate.

The British adjustment is being made against a very favourable world economic outlook. The international Monetary Fund has revised upwards its projections for growth in industrial countries this year and next to nearly 3 per cent per annum: and inflation is expected to remain at below 2% per cent - as good a combination as bas been seen for 30 years. Developing countries are expected to grow at nearly 6 per cent and the Asians among them by 7½ per cent. Nearer home, the central and eastern European countries started to grow in 1994 and are now on a 4 per cent annual expansion path.

This is not the picture one would gain from the many gloomy stories about the problems of banks and other financial institutions - not to speak of the problems of countries such as Mexico and currencies like the dollar and yen (for opposite reasons). Yet one of the shrewdest financial analysts, Henry Kaufman, gives no less than nine reasons for expecting renewed overheating rather than recession in the US in the second half of this year.

MF staff seem to have become more fortbcoming and specific in their public policy advice; and it is difficult to disagree with their World Economic Outlook when it warns about the "asymmetric nature" of the risks facing both US and UK policymakers; "The recent weakness of the dollar and of sterling against other major currencies argues for earlier steps to raise interest rates than would have been required otherwise."

There is a positive side. Against the background of a buoyant world economy, any errors in the direction of overcaution in domestic pol-icy should readily be made up in the export markets of the world. With a little bit of self restraint and above all a willingness to be frank about the remarkable degree of consensus on macro-economic policy between the two main political parties - Britisb economic problems could become those of a rising rather than a falling pound. These are better problems to have, notwithstanding the cborus to the contrary of a vociferous coalition of left and right wing devaluationists.

The opportunity is there for low inflation growth. "The fault, dear Brutus, is not in our stars, but in ourselves" if we do not take it.

Tony Jackson sees a continuing challenge to free markets from state intervention

Contrary to some reports, the CBl

t the end of this week, Britain's Labour party, if all goes to plan will at last all goes to plan. Will at last relinquisb its ancient commitment to a command economy. Clause 4 of its constitution, which for three-quarters of a century has called for "common ownership of the means of production, distribution and exchange", will be con-

signed to the dusthin. The debate is predictable. Critics of capitalism aver that unchecked market forces are destructive and inequitable. Critics of state intervention say that govarnments cannot understand business, and that industries run by civil servants are

doomed to fail As usual with such entrenched positions, reality lies somewhere in the middle. In countries such as the UK and Italy, state control has generally been a matter of using taxpayers' money to prop up dying cor-porations and inefficient utilities.

But in South Korea the economy has grown explosively in spite of the fact that the actions of private companies are largely dictated by the government's Five Year Plan. Korea's state-owned steel company,

for example, is one of tha most efficised. This is inherently at odds cient and profitable in the world. In short, it all depends on circumstance. Some countries may profit by central planning, provided they are at the right stage of development. Some industries may at least suffer no harm from state control,

Take countries first. The critic of command economies on a priori grounds has to account for some awkward exceptions. Japan's rise to world power owed much to close co-operation between government and industry. China's double-digit growth goes along with more state control than western business cares to admit

given the same proviso.

Three lessons suggest themselves First, for central planning to succeed, a country must be early enough in its development to be able to learn by the example of more advanced economies. Second, it must be relatively closed to the outside world: other-

wise, central control cannot be exer-

with the next stage of economic development, which requires economic agents to be given autonomy, both at bome and abroad. The inability to do this helped finish off the Soviet Union in Japan, the necessity of doing it has weakened the government-industrial machine. in Korea, the government is seeking ways of doing It without ceding control. It is anyone's guess how it will play out in China.

hird, a country must have reasonable co-operation between government and the private sector. Successful practitioners of the command economy such as Japan and Korea - some might add France - operate on the basis of common targets and occasionally common personnel. In the UK, state ownership of such industries as steel and shipbuilding proved largely disastrous; but that was because politicians put politics first and business a distant second.

When It comes to individual industries, the criteria are to an extent reversed. To be manageable by government, industries must be not undeveloped, but mature and established. Their markets and technologies have to be well understood and - above all - predictable.

This is illustrated by the complex

world of information technology. In the US, various industries from telecoms and computing to Hollywood and cable TV are investing billions of dollars on overlapping efforts to gain a share of the new multimedia services market, inevitably, much of that investment will go to waste the kind of Darwinian process that central planners abhor. But there is no practical alternative. since no-one knows where these markets or technologies are headed. Only the market process, in Its clumsy and patient way, can find out. Five or 10 years from now, the winners will have devaloped real tools to serve real customers. in more mature industries, this

Posco, the Korean state steel com pany, suggests the steel industry remains amenable to large-scale planning (Posco's two mills are the biggest in the world), in the similarly mature industries of petrochemicals and power generation. the Chinese government seems disposed at present to rely largely on its own resources: and given China's recent economic performance. it would be unwise to dismiss the

This leaves the premise that central planning, in certain societies and certain industries, can still be a powerful way of mobilising scarce resources. The collapse of the Soviet Union has led to an easy assumption that laissez faire is the best answer, always and everywhere. But free market economies such as the US and UK are under constant competitive pressure from economies which are nothing of the sort. in an economy as mature and open as the UK, a return to central planning would be a disaster. That is a fact of life, but not necessarily grounds for celebration.

OBSERVER

Empty cells at The Hague

■ The arrival in the Netherlands of the first - and so far only - suspect to be brought before the Yugoslav War Crimes Tribunal is no doubt welcome news to 12 so far idle prison warders. The jail in Scheveningen, a seaside resort near The Hague, has set aside 24 high-security cells to house suspected war criminals; until the extradition of Dusan Tadic from

Germany they remained empty. Tadic yesterday made a brief appearance before the tribunal, the first such since the Nuremberg and Tokyo trials after the second world war, to plead not guilty. Staff of the UN-sponsored tribunal, the chief prosecutor being South African judge Richard Goldstone, fervently hope Tadic will be followed by

The Hague tribunal bears little relationship to the Tokyo and Nuremberg trials. German, Japanese and other war criminals were tried after their countries were occupied, making capture easy. Yugoslavia's war rumbles on, and the tribunal is not allowed to try suspects in absentia, unlike its two famous predecessors. Nor can it impose death sentences; the most severe penalty at its disposal is life

imprisonment. Moreover, while It can issue indictments and arrest warrants, other countries must hand over

suspects. With most of the 22 people so far indicted believed to be in Serbia or Serbian-controlled Bosnia - neither of which recognises the tribunal's jurisdiction – Scheveningen's remaining 23 cells will probably be vacant for some time to come.

■ A rise of about 40 per cent on Poland's stock exchange since the end of March has cheered those investors still in the market after an overall 12-month decline in the main stock exchange index, the WIG. Yesterday's 7 per cent drop in the WIG shows how fickle the market can be. But maybe the fall was just a sign

Warsaw jitterbug

of growing sophistication, as the investment community reacts to signals it once might have ignored? Such as yesterday'a seminar on bankruptcies in central Europe organised by Leslaw Paga, former head of the Securities Commission now head of Deloitte and Touche's Warsaw office. Could Paga, who was the four-year-old market's first regulator, and who joined the private sector last year, have concluded bankruptcies might be a Polish growth area? Of such molehills are big jitters made.

Cape cropper ■ It obviously could never last the simultaneous existence of two

national anthems in the newly democratised South Africa, that is. Since last year's election, both Die Stem von Suid-Afrika and Nkosi Sikelel 'i Afrika have been played at all official meetings, but it seems President Nelson Mandela – who clearly senses time'a winged chariot at his heels - has decided the two should be amalgamated.

Leaving aside the political ramifications, the resulting re-mix would be a bit of a cacophony: Die Stem is in Afrikaans, while Nkosi is a mixture of Sotho, Xhosa and Zulu. Moreover, as the combined anthem would in any case be superseded by yet another anthem sometime in the future - all South Africa's national symbols are under discussion in the constitution-writing process - the poor old orchestras will probably end up thoroughly confused.

No menace Dennis ■ Danes take a certain pleasure in Sweden'a current bout of economic and political trouble. Swedish assumptions that their country is

not only the biggest but the best of the Nordic countries has long irked Danish sensibilities. But even Danes were surprised by the slump in Swedish self-confidence implied by an event

at the Swedish Embassy yesterday. The cream of Copenhagen's elite turned out to attend a lunchtime talk by Bengt Dennis, Swedish Central Bank governor between 1982-1993

The talk was provocatively titled: "Can Sweden be Saved?" If Sweden's ambassador, Carl-Johan Groth, who dreamed up the title, had his donhts, Dennis did not.

With just a touch of the old superiority, Dennis blithely argued that if Denmark could wriggle out of budget deficit problems in the early 1980's, "then of course Sweden can, too."

This caused the Danes no end of confusion. On balance, they ditched schadenfreude in favour of relief at hearing some good news for a

Given the bird

■ Bad news for cormorants, It's not just angry British fishermen, threatening to shoot them - the European Parliament has joined In the chase. Its European fisheries committee held a seminar yesterday to investigate Europe's growing cormorant mountain.

Dr Gosselk of the Institut für Angewandte Okologie in Rostock reported that the last time there had been a similar explosion in cormorant numbers the army had to be called in. Must have done the trick; cormorants haven't been a problem for the last 100 years.

Europe's parliamentarians are adopting a softly, softly approach this time round. They have called on the commission to submit proposals for collecting cormorant eggs from their nests and replacing them with plastic eggs. Clever.

Financial Times

100 years ago Mexican finances

The admirable analysis which Mr Carden, our Consul in Mexico City, has made of the Budget estimates of the Finance Minister, is embodied in a Foreign Office Report, and is well worth perusing by everyone Interested in the finances of the country. As regards the import duties, to a definite estimate of which the Finance Minister did not care to commit himself, Mr Carden takes a boneful view of the future. The conclusion at which he arrives is that, given a moderate return of prosperity, the financial year will yield "for the first time in Mexican history a real, and possibly a considerable, surplus."

50 years ago

US tin stockpile From Our Own Correspondent New York. The United States' tin stockpile has dropped to the lowest level since this country entered the war. According to the War Production Board, total stocks, other than smelter and consuming industries' working stocks, have been reduced from more than 105,000 tons in 1942 to under 7,000 tons presently. Thus, victory in Europe will not relax conservation orders on this metal, or the scrap salvage drive.



FINANCIAL TIMES

Thursday April 27 1995

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IMF says early warning systems may avert crises

Chote and George Graham

Member countries of the International Monetary Fund are moving towards agreement on improved early warning systems to head off Mexican-style finan-

Countries argued in the IMF's policymaking interim committee yesterday that enhanced surveillance procedures were needed to prevent international growth

moil in any one country.

Mr Kenneth Clarke, the UK chancellor, said a consensus on better early warning systems was "emerging extremely rapidly". He added that all 24 countries in the interim committee, representing the IMF's 179 member states, agreed countries should be "more transpareut" in their policymaking and keep up e good flow of accurate data so financial markets could make aound jndgments about their economies.

Among the ministers urging better IMF surveillance were Mr Manmohan Singh, the Indian In particular, the committee was

finance minister, and Mr Anatoli Chubais, the first deputy chairman of the Russian federation. Britain has proposed that the IMF should focus on 30 to 40

countries where crises could have a global impact. "I believe that a large part of the problem in the Mexican case was a failure to prioritise [IMF] staff efforts in country surveillance." Mr Clarke

- Ministers urge action to cut deficits

Editorial CommentPage 13 CurrenciesPage 25

The chancellor also urged the IMF to be more frank in the advice it gives member countries. and not "pull its punches" through excessive regard for government sensitivities.

However, it eppeared that not all UK proposals for strengthening the IMF would be accepted. the IMF to draw up a list of countries which provide timely and accurate data.

The move to give the IMF more teeth reflects growing concern among finance ministers and central bank governors that the world economic recovery is taking place when many countries' have large deficits in their current accounts and budgets.

There is widespread anxiety among committee members about these deficits. In a sumof member countries' views, Mr Philippe Maystadt, the Belgian finance minister and committee chairman, said efforts to cut budget deficits were "dis-

appointingly weak*.

Mr Lamberto Dini, the Italian prime minister and treasury minister, told the meeting: "Fiscal consolidation, together with measures aimed at increasing the efficiency of public spending, are essential to restore market confidence and lower interest rates."

Mr Clarke pledged that the UK would continue with its goal of balancing the government's bud-

New York dispute could lead to restrictions on Lloyd's

By Ralph Atkins, Robert Peston and James Blitz

Lloyd's of London could face curbs on its US business unless it resolves a dispute with New York insurance regulators over its

The disclosure of this latest threat to the insurance market came as Mr David Rowland, Lloyd's chairman, assured UK members of parliament that Lloyd's remains solvent, despite widespread speculation that it is in severe difficulties.

However, his private briefing of the Commons Treasury select committee was disrupted by the refusal of two MPs to participate. Mr Nick Bugden, a Conservative MP. and Mr Brian Sedgemore, a Labour member, both walked out because they believed the session should have been

open to the public. "it is not appropriate to have a private session," said Mr Budgen.

Rowland the impression that anything he said was confidential would be respected [by commit-

Separately, it emerged that lawyers from Lloyd's are expected to hold discussions this week on the contents of an aa yet

funds Lloyd's holds in trust in the US to support dollar-denominated underwriting. Lloyd's is seeking alternative ways of satisfying tougher criteria being set by US regulators, other than by

Although the New York Insurinto next month, it has the power to call a public hearing if Lloyd's objections to the draft report are not resolved.

The department would only

The US and Canada account for about e third of Lloyd's business and the insurance market cable and constructive". Its lawyers are understood to have warned the department that restrictions on its US business could hit local insurers who rely on Lloyd's for

> After the select committee meeting, an MP disclosed that Mr Rowland, who was accompanied by Mr Peter Middleton, the Lloyd's chief executive, had insisted the insurance market is not facing an insolvency crisis. MPs at the meeting said it was held in private to guard against accusations that they were damaging confidence in the market by airing in public allegations

about its solvency.

The committee is expected to produce a report on Lloyd's in the next few weeks.

FT WEATHER GUIDE

Hostile bank bid is the first in eastern **Europe**

By Gavin Gray in Ljubljana

SKB Banka, the largest private bank in Slovenia, has launched eastern Europe's first hostile bid for a bank - an offer for Goreniska Banka, the country's fifth

largest by assets.
If successful, the bid would step up the consolidation of a fragmented banking market. Like most other countries in eastern Europe, Slovenia – formerly the northernmost republic in Yugo-slavia – is "overbanked", with more than 30 banks for a popula-

tion of less than 2m.
Mr Ramin Habibi, managing director of Bank Research Eastern Europe, said yesterday: *Other takeovers in eastern Europe have tended to be of sick banks which were under central bank administration. This is the first case of an attempt at a real equisition between two healthy

The European Bank for Reconstruction and Development has a 15 per cent stake in SKB Banka, which it took in December 1994 through a rights issue that lifted the bank's capital to DM240m (\$178m). At the time, SKB Banka said it would use its fresh funds to increase its market share from 10 per cent to 25 per cent. Acquir-ing Gorenjska Banka would increase its share to 15 per cent.

Slovenia's minimum capital requirements for e full banking licence will increase to DM60m (\$44.4m) in September in an attempt by the central bank to encourage mergers and takeovers, but the consolidation process is complicated because many banks jealously guard their independence.

Gorenjska Banka, which has capital of DM174m and assets of DM685m, is one of 12 regional banks that used to belong to the Ljubljanska Banka group, formerly the monopoly bank in Slovenia. The network was broken up in 1993. Based in Kranj in northern Slovenia, Gorenjska has been more successful than most other regional banks because its clients include some top exporters.

SKB Banka is offering 11,000 Slovenian tolars (\$99) for each Gorenjska Banka voting share or \$53m in total - and an alternaoffer is conditional on SKB receiving acceptances from holders of et least 25 per cent of the shares.

Mr Zlatko Kavcic, director of Gorenjska Banka, urged the bank's shareholders to reject SKB Banka's offer, claiming that the true book value of the bank's shares is over SIT 19,000, rather the SIT 15,000 figure in its most recent accounts. The most vocal opposition to the bid has come from local activists, who argue that it would lead to a transfer of power from Kranj to Ljubljana, Slovenia's capital city, where SKB Banka is based.

"It is very unwise to give Mr comment last night that "we are atill working on getting this report out and making it public".

unpublished report by the New York Insurance Department. The dispute with US insurance regulators centres on the level of

increasing the trust funds, ance Department is expected to allow discussions to continue

\$65bn. Privatisation will require a new regulatory model in Brazil, where sectors such as electricity

For example, electricity compa-nies were forced to keep prices down to help fight inflation, and to supply subsidised electricity to

nel to investigate pricing levels

cause the government to proceed slowly is that Congress and state governors would demand a share privatisation receipts if they started to generate a significant

THE LEX COLUMN

Pulp fictions

It would be wrong to prejudge the European Commission's investigation into newsprint, but this year's sharp price increases may be explained in other ways than by a cartel: the laws of supply and demand, for example West European demand for newsprint has been rising rapidly, up 10 per cent since 1993, while capacity has lagged, up just 5.7 per cent.

Explaining the lack of new capacity does not require a conspiracy theory. Manufacturers simply do not have the money to invest. They are still rebuilding balance sheets after an expansion binge in the 1980s. Moreover, margins until recently suffered from stagmant product prices and a doubling since 1993 of the cost of pulp, paper's most important raw material.

If a cartel is operating, it is a feeble one: the newsprint industry has been going through the shredder. Between January 1989 and May 1993, prices tumbled more than 40 per cent, unsurprisingly eliciting no consumer pro-tests. And last year, when prices for other paper grades rose by about 20 per cent, newsprint prices continued to bump at the bottom. It was the suddenness of this January's 15 per cent increase that was painful, and that was due to the sector's traditional one-year contracts rather than conspiracy. But even after increases expected at about 25 per cent this summer, prices will only have regained 1989 levels. If consumers are complaining now, they should be aware of future agony: the imbalance of supply and demand is likely to worsen.

European stocks

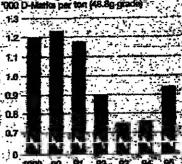
Bayer, Mercedes-Benz and Philips Electronics yesterday joined the long list of export-oriented continental European companies which have complained about the impact of currencies

on earnings.
The combination of the weak dollar and a strong local currency has hit first-quarter profits - and looks cer-tain to wreak further damage as the year progresses.

Currency considerations have led

analysts to cut their earnings forecasts for hard currency European markets, and to upgrade estimates for markets such as Italy, where profits stand to benefit from a weak currency. But investors should resist the temptation to switch out of markets with deteriorating earnings outlooks. Italian earnings may now rise 70 per cent this year, but equities in Italy and other peripheral markets are vul-

FT-SE Eurotrack 200: reprint prices 1000 D-Marks per ton (48.8g grade)



for exampla, panic interest rate increases or further currency implo-

By contrast, the impact of currencles on hard currency markets is not as dire as warnings may suggest: corporate rationalisation and economic recovery mean that earnings will grow strongly this year. James Capel, for example, has trimmed back its estimates of 1995 earnings growth for Germany only modestly, from 36 to 38 per cent, and still predicts 40 per cent earnings growth in France. Investors should seek out value in hard currency markets. There has been some indiscriminate selling and in the medium term stronger currencies will force companies to implement further earnings enhancing rationalisation.

GAN, the troubled French insurance company, has become the latest in a long list of privatisation prospects that have required state support to survive property losses. As in previous cases. the government claims it is merely switching assets from one hand to the other, in this case, shares in Elf Aquitaine and CIC are being swapped for new shares in GAN. But the GAN shares are being issued at a 48 per

cent premium to the market price.

The state had little choice but to throw good money after bad. The current elections, and the imminent flotation of another state insurance company. Assurances Générales de France, meant it had to stand by GAN. Indeed, there is some justice in the action. The FFr5.7bm of property provisions that have left the GAN balance

sheet in tetters were the result of a government-enforced investment in CIC, a previously state owned bank. Nonetheless, GAN still looks some

way away from reaching privatisation grade. As a majority state-owned company, GAN is unable to reduce its substantial cost base through job cuts. The management that dragged it down has scarcely changed. And it has yet to commit itself to dropping a costly strategy of pursuing market share et any cost, instead of focusing on quality business. As a result, it is still reliant on investment gains for its insurance profits. However, the key issue is whether GAN has made a clean sweep of its property losses. If so, there is upside potential for its balance sheet, which could help

Tradepoint

rebuild investor confidence.

Nine years after Big Bang, the London Stock Exchange's monopolistic grip on UK equity trading could soon be loosened. The Securities and Investments Board's move yester avtowards recognising Tradepoin computerised market, marks an important step towards real competition in the UK stock market. But there is some way to go. Despite criticism from the Office of Fair Trading, the Stock Exchange still prevents marketmakers from quoting more favourable prices on another system.

- Concerns that a proliferation of exchanges would fragment trading, so

reducing liquidity, are overdone. This can be avoided by establishing computer links between different market-places, as some derivatives exchanges and US stock exchanges already do Even if Tradepoint fails to attract huge volume, it may find a niche: it

needs only a 1% per cent market share to hreak even Marketmakers are likely to steer clear of the system, which is largely predicated on the exclusion of the middle-man. But Tradepoint may appeal to fund managers, particularly, the new breed of international money managers who tend to run specialist funds and invest in a wide range of markets. They worry more about execution costs than about service from marketmakers. If Tradepoint can offer substantially lower dealing costs, it could even encourage a more active trading style among some UK fund managers.

See additional Lex comments on UK building societies and Bank of Scotland, Page 20

Brazil to sell generating assets

Continued from Page 1

at \$5.4bu, while the country's other electricity companies, mainly owned by Brazil's individual state governments, have estimated sales of \$9.2bn.

Mr José Serra, Brazil's plan-ning minister, said privatisation was necessary because the government could no longer afford to fund Eletrobrás' investment

The sell-off would also allow the government to cut its interdebt, which is now close to

have often been used to promote broader overall economic pol-

underdeveloped regions. Most price restrictions have now been removed, but the regulatory agency. Dnaee, does not have adequate powers or person-

or service quality.

Another factor which may budget surplus.

Electricity is the first of the three main state monopolies that President Fernando Henrique Cardoso hopes to open to private competition. The sector was chosen because it is subject to fewer constitutional restrictions than oil and telecommunications

This announcement appears as a matter of record only.

ING GROUP

Acquisition of substantially all of the businesses of Baring Brothers & Co., Limited Baring Asset Management Limited and Baring Securities Limited



Robert Fleming & Co. Limited acted as sole financial adviser to ING Group



Europe today

Cool polar air will flow into Scandinavia, the British Isles and the northern Benefux. Southern Scandinavia will remain cold with temperatures slightly below freezing and a mixture of snow and rain in the north. The British Isles will be fair with temperatures between 6C-15C. The northern Benelux will be cloudy with temperatures around 12C. The southern Benelux will have sunny

periods and more comfortable temperatures. The Alps and Balkans will be changeable with rain and thunder showers. France will be mainly settled but north-east France will have a few showers. Spain and Portugal will have cloud and rain but the east coast will

Five-day forecast

Cool air will move further south on Friday, resulting in cool but fair conditions over the Benefux and Germany. Eastern and most of south-west Europe will remain changeable. During the weekend, a south-westerly flow will promote unsettled conditions in western and northern Europe. High pressure will keep central and southern Europe mainly dry with sunny periods.

TODAY'S TEMPERATURES

30 11 18 18 22 12 35 18 13 32 18 Cerecas Cercifi Casablar Chlesgo Cologne Dalear Dalias Delhi Dubai Dubai

No other airline flies to more cities in Eastern Europe. Lufthansa

Faro
Frankfurt
Geneva
Gibrattar
Glasgow
Hamburg
Heleinki
Hong Kong
Honotulu

thund sun sun feir tair feir shower thund shower cloudy thund cloudy thund shower fair sun rain

35 37 19 22 32 7 17 22 19 30 20 7 18 17 19 15 24 17 6 15 Reyidavik Rio Rome S. Frsco Seoul Singapore Stockhoir Strasbour Strasbour Strasbour Talyo Toronto Vancour Venice Vienna Warsaningi Wallingto Willingto Willingto



THURSDAY APRIL 27 1995

A more cautious view of risk prevails

In the UK, the Barings collapse and the Pensions Bill debate have forced scheme trustees to re-examine security, including cash management procedures, says Barry Riley

Pension funds are still ohsessed with the chase for high investment returns, but during the past year the "risk" part of the risk/return trade-off has loomed larger than usual in the minds of trustees and portfolio managers.

The collapse at the end of February this year of Baring Brothers put a cloud over the group's asset management subsidiary, which is the UK's ninth-largest manager of segre-gated pension fund assets and is also a significant manager of global portfolios for US pension funds.

Baring Asset Management itself was soon in the safe hands of the big Dutch financial group ING, but the general perception of bank credit risk was damaged and all Britisb fund managers, especially other merchant banks, have been re-examining their casb management procedures.

The question of exposure to derivatives has also been high-lighted. In the event pension funds in the UK and the US turn out to have been riskaverse in this area. It is necessary to turn to Switzerland to find a serious accident; last antumn Landis & Gyr dis-closed that the collapse in the bond markets had cost its pension fund SFr170m through ill-

judged derivatives exposures. For UK pension funds the poor markets in 1994 inflicted much less damage than that, but there was an average negative return of some 5 per cent, the second negative year in five, which means that the 1990s are turning out to he much less of a picnic for investment managers than the 1980s were. However; there have also been some good

1993 - and long-run performance remains satisfactory. In fact, on an actuarial basis.

the strength of most UK pension schemes actually improved in 1994. This was because of the buoyancy of dividends, which grew hy some 8 per cent, far outpacing pay growth of under 4 per cent.

The income-based actuarial surplus index calculated by the pensions group at Binder Hamlyn (part of Arthur Andersen) increased by 5 per cent in 1994. Curiously, the market valuebased solvency tests bave also sbown some improvement. because the large increase in gilt-edged yields during 1994 improved the ability of schemes to buy benefits in the anninity market,

So do falling markets not matter? Not very much in the short run, although there has been some nervousness in UK schemes about the legislation being proposed in the Pensions Bill now going through Parliament. A minimum solvency requirement (MSR) will expose poorly-funded schemes to the risk of being forced to top up their assets in a weak market.

At one stage there were fears that funds would be forced to reduce their exposure to highperforming but risky equities and top up with dull hut safe fixed interest or index-linked bonds. In the end the solvency requirement has been watered down and few funds are likely to make a substantial response in terms of a shift in investment strategy.

All the same, along with the noticeable increase in the average maturity of UK schemes, the MSR is likely to encourage a gradual increase in the bond recent years - the average rate exposures of UK funds. This is

of return was 29 per cent in happening, strangely, at a time at which, across the Atlantic, US pension plans are rapidly raising their equity exposures, in particular by adding over-

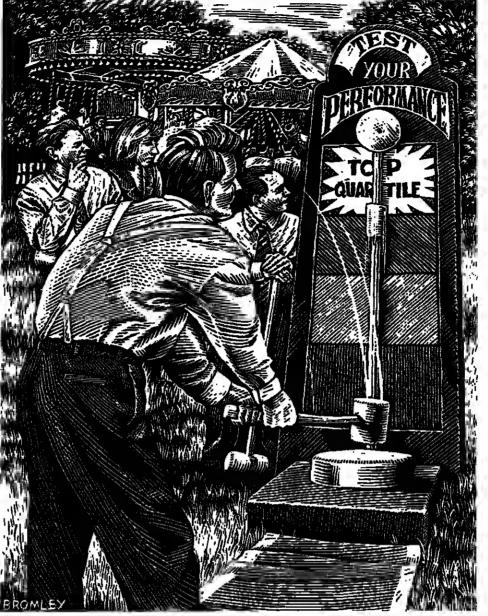
seas equities. In the UK, the main focus at present is on the fall-out from the Barings crash. Funds are now re-examining their custody arrangements, although as it happened the ring-fencing of assets at Barings appears to have been satisfactory.

It has long been the common practice in the UK for custody to be a service bundled up with investment management. The use of external custodians has been increasing, but is significantly more expensive than managers' in-house custody. The question was examined hy the Goode Committee on pension law reform, but the advantages of external custodians were not thought to he deci-

In a sense the Barings crash has confirmed this in terms of the safekeeping of securities, but cash has turned ont to be another matter. Baring Asset Managements' clients found that cash in some cases running to many millions of pounds was frozen and at risk in deposits with Barings Bank,

Many other merchant banks have used their pension clients' portfolios as a source of deposits. So long as top City of London hanks such as Warburgs, Schroders, Barings, Fleming and Rothschilds were considered almost certain to be backed in a crisis by the Bank of England this posed few problems. But when the Bank allowed Barings to collapse at the end of February everything changed.

The idea that pension fund liquidity could be used to



speculation by fellow subsidjaries of the fund managers is clearly unacceptable. It does not happen often but, in effect, it did happen at Barings.

The various merchant bankowned managers are now trying to negotiate limits such as 21/2 per cent or 5 per cent of the client portfolios as maximum exposures to the parent bank.

But many clients will prohably insist on their liquidity being placed in a broadly-based cash fund spread across several toprated banks.

Fidelity, the mutual funds group, bas jumped in opportunistically by launching a triple-A rated institutional cash fund. Meanwhile, non-bank investment managers are

casb handling arrangements. "We have had a full-time trea-surer for some time," says Mark Henderson of Clerical Medical, pointing out standard procedures for assessing credit

its, which merchant banks do not yet have in place. This episode has pointed out once again the actual and

potential conflicts faced by the

chant banks. Late last year the sensitive relationship between the higgest UK pension fund manager, Mercury Asset Management, and its 75 per cent parent S.G. Warburg, flared up again io confrontation wheo MAM energetically defended its patch during the abortive hid for Warburgs by the US investment bank Morgan Stan-ley. The henefits which some merchant bank-owned managers bave gained from being

fund management arms of mer-

Will there be a shift in the UK towards the US pattern. whereby funds are split between a number of relatively small, possibly specialist, external managers while custody is handled by large, safe hanks? It is a formula often promoted by pension consultants who, cynics say, have a vested interest in recommending greater complexity.

part of broader groupings may

now be being outweighed by

the conflicts of interest.

But such an outcome is unlikely to be seen in the UK until the big external balanced (or comprehensive) managers cease to perform. So far. subject to individual ups and downs, they continue to strengthen their grip on the

One or two of the hig managers did indeed falter in last vear's difficult investment conditions, but PDFM had a wonderful year. UK scheme trustees are unlikely to opt for a possibly troublesome team of small managers when big, safe, single decision alternatives are seen to exist.

Despite the poor market conditions of 1994, PDFM sees pension fund prospects as being bright, Its annual book Pension Fund Indicators, published this week, says that even dull investments like index-linked gilts are offering a real return of about 3.9 per cent, about the same as long-term returns achieved over the past 30 years or so.

opportunities to exceed that return by investing in other risk and setting exposure limasset classes when they are attractive," says PDFM A recent strategy document from the third-largest UK pen-

sion fund manager, Schroders,

"There should he several

IN THIS SURVEY

Long-time winner under

pressure □ Performance of pension

fund managers under scru-

☐ Investment strategy: cult of the equity Pensions Bill: stormy passage ahead Page 3

US: \$2,500bn industry has had a good year Japan: first steps on the way to deregutton ☐ Europe: progress on sin gle market delayed

Git strips: shift into bonds begins to accelerate Specialist managers: braced for a US invasion

Emerging markets: long-term potential remains Custody: the garden is getting rosier

□ Derivatives: interest con-

tinues to grow □ Externalisation: ☐ Maturity of pension schemes: growing old grace-

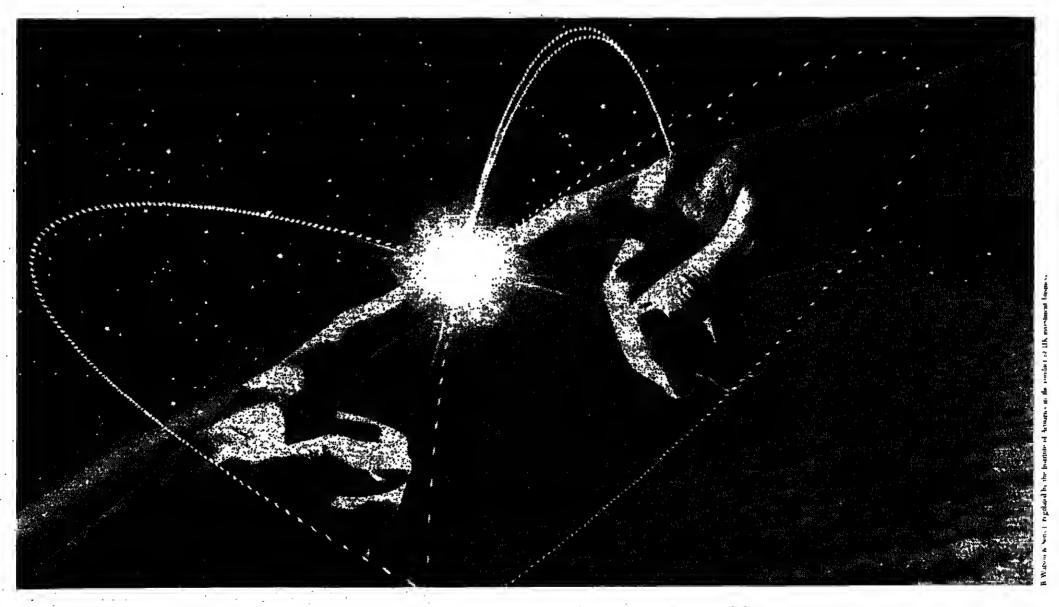
☐ Corporate governance: red signal for the gravy train

Production editor; Roy Terry

projected real returns over the next five years ranging from 3.5 per cent on cash and just over 6 per cent on both sterling bonds and UK equities to nearly 11 per cent ou Pacific Rim equities.

If this works out in practice there will be no need to chase exotic derivatives contracts in order to perform well enough to keep the actuaries happy.

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3372 EVE

fter many years at the top of the pension fund league table, Mercury Asset Management is now in distinct danger of being toppled by the house which has been number two since 1988, PFDM. the former Phillips & Drew Fund Management, Dur-ing 1994, MAM's lead, in terms of UK segregated funds managed, shrank from 29 to just 11 per cent.

PDFM put in a blistering investment performance in 1994, outperforming the Caps median - one of the standard measures of industry performance - by more than 4 per cent. As a result it has also moved to the top of the fiveyear performance league table. putting it in an ideal position to win new business.

Market conditions were tough last year, but paradoxically PFDM scored heavily as a so-called "value" manager which relies on picking stocks with good fundamentals. It had struggled slightly in 1993 when rivals such as Newton Investment Management and the higb performance team at MAM under Stephen Zimmer-man chased bull market trends including the boom in the Far Eastern emerging markets.

In 1994, bowever, the hot managers found themselves in the wrong markets. Apart from PDFM, only Morgan Grenfell and the ever-reliable Schroders appear to have beaten the median among the leading

As usual, bowever, some of the performance data is missing. MAM itself has never published figures: it is not so much a single management house as a group of teams under one roof, sharing central resources. and the performance varies quite widely. Publication of a house average could provoke unrest among some clients.

Although PDFM bas to be greatly admired for its ability to perform for its clients it could now be heading for some of the strategic challenges-which have affected MAM in recent years. How can it continue to add value as its pension funds managed grow towards £40bn? And bow can it maintain a tight dispersion of results across well over 300 client funds?

In some ways Mercury might not mind too much being toppled off the number nne spot. In recent years it has followed a business strategy of diversifying into other client areas, for instance setting up, within the past two years, two of the biggest new investment trusts, World Mining and European Privatisation.

its total funds managed beld steady last year at around £62bn, and UK segregated pension funds fell as a proportion from 65 to 60 per cent. in contrast, pension funds represent

	Top 25 s	egregated	pension	fund mana;	gers :	•		
	V	Value of segregated funds			No of Individual funds		Total funds manage	
	1994	1993	% chg	1994	1993	1994	1993	% chy
Mercury Asset Management	37,755	40,379	-6.5	435	439	52,904	62,275	+1.1
PORM/UBS	34,064	31,240	+9.0	336	307	40,571	36,742	+10.4
Schroder Investment Mnat	26,585	26,805	-0.8	246	209	57,585	52,865	- +8.5
BZW Investment Mngt	20,156	21,230	-5.1	216	193	50,000	50,000	. +0.0
Gartmore Investment Ltd	15,301	15,958	-4,1	210	196	20,028	21,028	-4.7
NatWest Inv Mnat	9,800	10,500	-6.7	87	86	30,800	17,500	+76.0
Prudentiel Portfolio Mngrs	9,700	11,700	-17.1	77	- 35	70,800	74,100	-4.4
Morgan Granfell Asset Mingt	8,600	7,400	+16.2	125	106	30,900	28,300	+0.2
Bering Asset Mngt	8,267	8,779	-5.8	.112	107	27,845	31,528	-11,7
Teming Investment Mingt	7,589	8.741	-13.2	120	119	48,631	48,906	5.5
Jovds Investment Managers	5,416	6,084	-11.0	46	49	10,708	11,558	: -7.6
Bellie Gifford	5,253	5,132	+2.4	78	69	10,589	10,126	. +4,6
ISBC Asset Management	4,225	4,804	-12.0	180	· 191	10,061	11,196	10.1
lenderson Pension Fund Mngt	4 169	5,206	-19.9	77	92	11,869	12,508	-5.1
Vewton Investment Mngt	4,055	3,240	+25.2	6	77	8,600	5,200	+65.4
fill Samuel Inv Mingt	4,018	4,673	-14.1	29	32	25,116	28,256	-11.1
egal & General	3,880	4,107	-6.0	62	54	31,377	31,141-	+0.5
M&G Investment Most	2,783	2.963	-6.1	29	32	13,806	13,970	-12
kupiter Asset Mingt	2,764	2,812	-1.7	25	. 23	4,012	3,830	.44.8
Cazenove Fund Mngt	2,219	2,605	-14.8	88	. 87	7,968	8,816 -	9.6
Clerical Medical	1,999	2,085	-4.1	44	42 .	11,649	11,126	+4.7
rivesco	1,823	1,561	+16.8	64	76	41,723	45,253	-7.8
Seimwort Benson	1,765	1,918	-8.0	73	67	13,693	12,508	. +8.5
Rothachild Asset Mingt	1,688	1,897	-11.0	40	38	10,210	11,196	-8.8
lambros Bank	1,452	1,628 -	-10.8	40	42	7,687	6,315	+21.7
Total	225,302	233,447	-3.5	2,847	2.818	659,130	646,239	+1.5

1.77 - AV	Over 5 years	Over 1 year
POFM/UBS Newton Investment Managen Jupiter Asset Management Gartmore Investment Ltd Clerical Medical Investment	+11.5 +10.9 +10.8 +10.6 +10.4	-0.5 -8.7 -5.6 -5.9 -5.9
M&G Investment Mings . Schroder Investment Mingt Morgan Grenfell Asset Mingt Baring Asset Management	+10.8	-5.7 -4.1 -3.0 -5.8
Cops Median Fund	+0.5	4.8
Cazenove Fund Management Fleming Investment Mings HSBC Asset Management Lloyds Investment Management BZW Investment Management Rothschild Asset Management	+9.3 +9.2 +9.1 +0.1	-4.9 -5.2 -4.5 -5.3 -5.6 -7.1
Legal & General Prudential Portfolio Mingrs Hambros Bank Invesco Hill Samuel Investment Minst	+8.8 +8.6 +8.2 +8.1	-4.9 -5.0 -4.8 -5.0 -5.5

FUND MANAGERS: Barry Riley analyses performance over a year when market conditions were tough

Long-time leader comes under pressure

assets managed, which can be regarded as a strong concentra-tion of business risk, given competitiva industry depends upon fragile performance achievements.

However, PDFM is a unit of UBS Asset Management, and the parent Swiss bank can balance the UK risks against the diversification offered by its spread of global activities.

PDFM has attempted to win business from other kinds of institutional clients, such as lifa assurance companies, but with comparatively little impact. It has refused to chase business in areas such as retail unit trusts because it argues that its unique investment focus would be blurred if It had to accommodate conflicting objectives. Thus unit trusts and invest-

ment trusts must be promoted heavily to the public in bull markets. Mercury's European Privatisation Investment Trust was sold opportunistically to the public at the very top of the market in early 1994. This is the complete opposite of PDFM's value-based pension fund investment strategy of buying cheaply in depressed conditions and selling near the market highs. Such a strategy cannot be successfully pursued in the retail market (except perhaps for savings committed to long-term contracts).

The performance figures in the table have been supplied



Kenneth Inglis; initiated a

by the various managers. They are certified as complying with the voluntary code sponsored by the National Association of Pension Funds.

There are still concerns within the industry, however, that the statistics can sometimes be distorted. In any case, a single figure for the performance of client funds with balanced discretionary mandates is becoming steadily less repre-



Keith Percy: winning a lot of new

are pursuing many different performance benchmarks. A former measurement guru,

Dugald Eadie, has just been appointed as the new managing director of Henderson, which is struggling at present in the corporate pensions business. Mr Eadie was formerly the chairman of the performance measurement specialists WM and currently, as a spare time activity, is the chairman of the permanent have all continued to lose busi-



commission on performance measurement set up last year by the European Federation of

Financial Analysts' Societies. Henderson, ironically, has not provided the FT with any performance numbers for 1994. In February this year it pub-lished a profits warning, blaming losses of pension fund business. It is just one of a number of fallen stars of the 1980s. Prudential, Fleming and Cazenove



Peter Sedgwick; success at

ness as clients singlemindedly chase performance.

The industry is becoming ever more concentrated. The top five managers at the end of 1994 looked after £134bm, which was 60 per cent of the total managed by the top 25, up from 58 per cent the previous year. This concentration is embarrassing to the consultants who advise on manager selection; their role is almost redundant if the same handful

the business. Hopes that a move away from balanced management towards specialist-mandates would broaden the manager base have not really been fulfilled.

Incidentally, in case other managers complain, it should be pointed out that the high position of BZWIM in the table of funds managed is due to its domination of the index-tracking market and its contract to run the £7bn pension fund of its parent Barclays: Bank. BZWIM's role in active management for third party clients is quite small. One or two other banks are also raised higher up the table by in-house

Can the fallen stars come back? It is interesting to note that Morgan Grenfell has been winning quite a lot of new business lately, after a some what sticky patch, Pension fund management is, however, a small world: Morgan Grenfell Asset Management's chief executive Keith Percy used to run PDFM, and the UK investment chief Nicola Horlick was recruited from MAM.

Another former leader which has shaken itself up in order to fight back in pension funds is Robert Fleming. Last year it brought in Kenneth Inglis from Allied Dunbar as chairman of : its investment division. Performance was only so so in 1994, but Fleming says it is beginning to get back on the manager selection short lists.

inderd Life Gartmore Long Term Balanced 0:68 South India.

TOP 10 TOTAL RETUR OVER FIVE YEARS	NS _
fixed with Annua	<u>%</u>
Bisagow Investment Managers Aorgan Granfeli	13.4 11.8 11.4
urich Life lank of Ireland Ichroders	11.1 10.9 ^ 10.6
Mercury Managed Fund Service	10.4 10.2
intennia investment mesagers Jerical Medical	10.1 9.8 8.7
APS MEDIAN	.8./

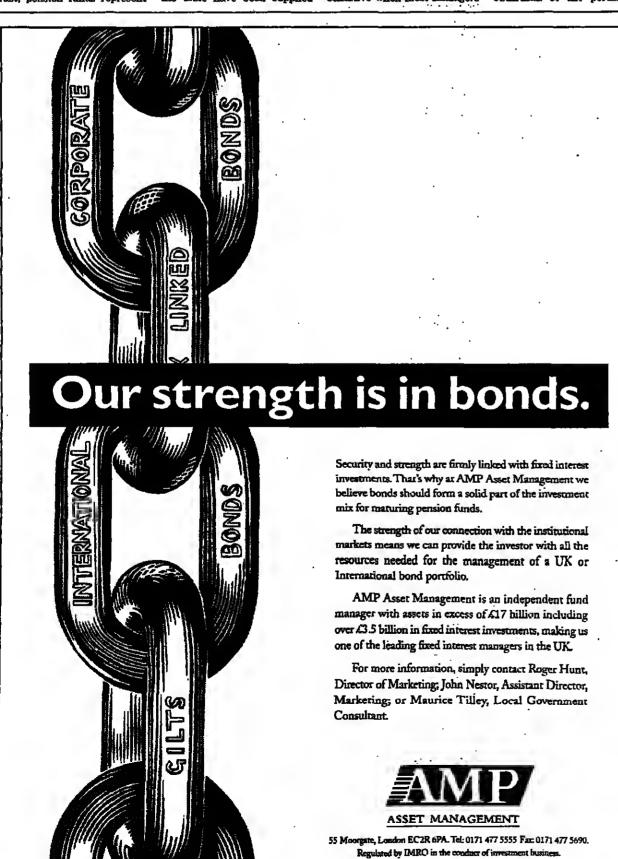
"Consultants are looking for recovery stories," says Mr Ing-lis. "They would like to have more names on their list."

Fleming appears to be aiming at the kind of investment style which has stood Schroders in such good stead: a disciplined approach aimed at adding small increments to the median fund performance rather than a more aggressive approach aimed at topping the tables.

For Peter Sedgwick, the longtime investment boss at Schroders, the rewards of success hava been realised this year with his appointment as vicechairman of the bank and the award of a big bonus.

How is it that Schroders has succeeded when many other merchant banks with equally strong initial client lists 20 years ago - such as Rothschilds, Lazards, Kleinwort Ben-son or Hill Samuel – are now running only a small fraction of the money? Defying the PDFM philosophy of narrow focus, Schroders has also been very successful in unit trusts. A simple answer is that Schroders, like Warburgs, which still owns 75 per cent of Mercury Asset Management, established a corporate structure which encouraged talented people to stay in invest-ment management rather than move to supposedly more

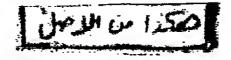
glamorous activities such as corporate finance or markets. is that at Schröders, and very few other places, the right peo-ple have been linked together through complex chemistry to create a successful investment management industry has become so-concentrated precisely-because this frick is so



Performance through Philosophy

	5 Year Period	CAPS	MAG	
G segregated balanced pension				
fund management has achieved	1983-87	17.90	22.88	
consistently strong performance		· . :: ·		
over every rolling five year period	1984-88	15.21	18.15	M&G provides a comprehensive
since 1983.				range of Investment management
We believe this results from the	1985-89	17.20	. 19.74	services on both a segregated and pooled basis.
application of one of the most		٠ ٠	. <u>2:1,</u> - ;	provide Design
distinctive investment	1986-90	11.09	13,74	
philosophies in the City.				For further details contact:
	1987-91	10.00	. 11.55	Edward Rosengarten - segregated
	24. 7. 1	742		Nicholas Emmins - pooled
	1988-92	13.68	13.75	Telephone 0171 626 4588
	1989-93	16.91	17.82	M&G Investment Management Limited. Three Quays,
	1			Tower Hill,
	1990-94	9.44.	10,34	London EC3R 6BQ A Member of IMRO
•	Source: CAPS, We Currulative Annual			

The figures above have been verified by Combined Aduansi Performance Services Limited (CAPS) and thre bessed on all segregated discretory. The figures above nave pean valence by control or human are for the total fund excluding property. At 31st December, 1994 the sample was 19 portion of the total value of all funds or the first pean of the first



K pension funds have long been devout believ-ers in the cult of the

THE PANAY APRIL 27 1995

POOLED PEY

TOP 10 TOTAL RETURN
OWER PRIE YEARS

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In 1994, according to the WM company, around 76 per cent of UK pension fund assets were in equities, up from 60 per cent in 1975. The main change over the past 20 years, fuelied by the abolition of exchange controls, has been an increase in the proportion of money held

in overseas equities. The proportion of assets held in UK conventional bonds has steadily declined, from 23 per cent in the late 1970s to 6 per

cent last year. In part, this is because institutions have diversified into index-linked and overseas

Another factor, however, is that inflation took such a toll on the value of gilts in tha 1970s that pension funds seem to hava despaired.

There is now a long-term argument that pension funds may increase their bond holdings over the coming years, bringing them more into line with continental funds, which have traditionally held a higher proportion of fixed

INVESTMENT STRATEGY: Philip Coggan reviews the debate over bonds

The cult of the equity persists

Some bond enthusiasts argue that UK inflation is likely to be a lot lower than it has been over the past 25-30 years. Investors in low inflation countries such as Switzerland and Germany have been able to opt for the security of bonds, without suffering the erosion of pur-

The recent performance of UK bonds has been much better than in the 1970s - 1994 was the first year of negative performance for pension fund gilt holdings since 1978, according to WM, and in 13 of the last 20 years, gilts have provided donble digit returns.

However, Colin Lever, partner in the investment department of Bacon & Woodrow. says: "I still believe the serious risk that UK pension funds have to face is inflation. For all the talk, I'm not convinced we have inflation licked." An alternative argument in

favour of bonds is that pension funds are gradually becoming more mature - that is, the number of beneficiaries receiving pensions is increasing relative to the number of members making contributions. The funds thus need a higher level of income, and greater security of income.

Here again, Mr Lever is sceptical, pointing out that pension payments rise with the retail prices index. That argument points investors towards indexlinked gilts," he says. The third, and complex

issua, is the proposed mini-mum solvency requirement for pension schemes. Although the final regulations have yet to be announced, the solvency proposals are widely expected to encourage pension funds to hold a greater proportion of their assets in bonds. "Solvency is judged by the

ability to buy a pension which

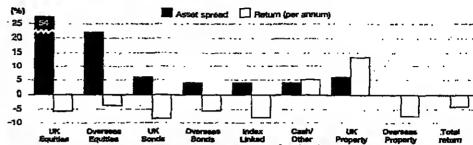
in turn is measured in terms of gilt yields," says Peter Lockver. director of investment actice at Alexander Clay & Partners. "Accordingly, solvency

ratios for schemes which invest more heavily in gilts will be less volatile than those which invest heavily in equi-

"The need to change an investment strategy which more closely matches liabilities depends crucially on the level solvency," adds Mr Clay. "Schemes with solvency ratios of more than 115 per cent should he able to continue with unrestrained investment policies, that is, invest largely in equities."

Christopher Tracey, invest ment director of UK halanced pension funds at Fleming Investment Management, says that "if there is a big shift by pension funds into gilts, it will

Pension funds



be because of the liabilities and solvency issues, not because of the perception of better

ability modelling to create benchmark funds, he says. Compared with most benchmark models, the current asset

median (the average portfolio Exchange Rate Mechanism, it distribution of all pension was possible to eovisage the day when UK and European funds) is too equity-rich; this may presage a steady shift into assets might become interchangeable.

The split between UK and overseas equities is another complex issue. For a while, when Britain was part of the

overseas equities over the past 10 years. The problems of emerging markets, an investment area which was being much byped in the early 1990s, may have further discouraged trustees

from venturing overseas. But Mr Tracey thinks trust-"Emerging markats are in many ways ideal for pension funds because they can take a long-term view. In the long term, these countries are more likely to provide growth than those in the mature OECD," he says. He points to the growing acceptance of investment in Asia which many trustees might have shunned 10 years

be breaking down. According to Mr Lever. "In 10 years' time, we won't spbt equities between UK and overseas. The growing internationalisation of many

companies means the likes of BP, Shell and Exxon are inter-

Although funds have gone

overseas for sound reasons of

diversification. UK equities have actually outperformed

For the moment, however, the cult of the emerging mar-ket equity is a minority faith.

PENSIONS BILL: Norma Cohen discusses the UK government's planned reforms

Blueprint faces stormy legislative passage

he government's legislative blueprint for pension reform has emerged from the House of Lords a hit the worse for wear.

It is now about to enter a potentially even more fractious run through the House of Commons where further alterations could be made.

ironically, the government's biggest setbacks in shepherding its bill through Parliament have been peripheral to the central issue of how best to protect the pansion promise which employers make to scheme members.

Some aspects of the bill which will be most damaging to future generations of pensioners - those altering provisions of the State Earnings Related Retirement Scheme have barely been noticed, even by the Labour Party's most vigorously pro-worker mem-

Privately, lobbyists for the pensions industry have

exprassed surprise at the Labour Party's quiescence over this key issue, and have suggested that the complaxity of Serps means the government will have little difficulty in seeing the changes through

Instead, the government's most stunning setback was the battle over the disposition of

Lobbyists are surprised by the Labour Party's quiescence over Serps

occupational pension benefits following a divorce.

Faced with certain defeat on

its efforts to exclude pensions and divorce from the legislative agenda, the government offered a compromise. It would amend the Marital Causes Act of 1973 to force courts to take the value of a pension into consideration when dividing marital assets in a divorce. Second.

it proposed a clause to the current pensions legislation which would force trustees to follow court orders in paying scheme the contributing member.

Aside from divorce - a peripheral issue for pension scheme operators - government ministers are most concerned about two pension issues which are threatening to become subsumed into the debate on the bill. Neither of these has anything to do with the central theme of the bill, the protection of retirement benefits promised by employ-

First, there is the emotionally-charged issue of pension benefits for war widows. Peers in the Lords voted by 191 to 145, a majority of 46, for crossparty demands that war widows, who lose their pensions on remarriage, should have them restored if they are widowed for a second time or

believes this would cost £40m a assets rendered the concept of UK self-regulatory body for the year and would be unfair to minimum solvency almost fund management industry. other widows.

Second, there is growing pressure to index-link the state retirement benefits of pensioners who live abroad. Currently, pensions paid to these individuals do not rise annually in line with an inflation index as do those paid to UK residents.

However, the government's legislation has also suffered more bruising, but less public, sethacks. For instance, the actuarial profession is quietly proclaiming victory in its effort to alter the proposal of a "minimum solvency requirement" to one which is described as a "minimum funding standard". According to the Institute and Faculty of Actuarles, the difference is much more than mere bair-

Indeed, they argued, plans to allow the MSR to allow up to 25 per cent of pensioner liabili-

meaningless. It implied the existence of a safety net of assets which, in fact, will not

be there, they said. It is expected that when the Department of Social Security reveals the guidance to the profession which will help actuaries to decide whether or not a scheme meets the new funding requirement, it will for the first time specify an acceptable range of actuarial assumptions for investment returns, inflation and increases to pen-

sions in payment. Meanwhile, the National Association of Pension Funds has met with some success in achieving other alterations to the Pensions Bill. For one thing, it won concessions on the wording of rules which would have made it impossible for UK pension trustees to retain, say, a US-based fund

manager which did not have

authorisation from Imro, the

Also, its campaign for the custody of pension scheme

lated activity is gaining steam, much to the chagrin of government ministers and the Bank of England who have been anxious not to draw new activities into the remit of securities reg-

The NAPF's success is largely due to the collapse of Barings, which acted as custodian to roughly half the £27bn of client assets it managed, and hich highlighted the dangers of inadequate custody arrangements. While the ring-fencing of cli-

ent assets at Barings worked well, clients risked losing an estimated £650m in cash deposits which the custodian had placed on deposit in Barings' own bank. Even if the government is successful in staying off a push to regulate custody when the hill comes to the I NEED TO KNOW WHETHER HE'S WORTH MORE DEAD OR ALIVE, AND IF THE LATTER. MAPRIED OR DIVORCED,



House of Commons, it is understood that the City's own chief regulatory watchdog, the Securities and Investments Board. is reconsidering its earlier opposition.

That dream may have faded

with Black Wednesday, but the

rigid distinction between UK

and overseas assets may still

But pensions industry officlals say that if the Labour party opposition in the Commons wakes up, there will be a tremendous hattle over alterations to the Serps programme. The most significant change

longer pick up the bill for the annual uprating for the Guaranteed Minimum Pension portion of a contracted-out occupational pension beyond 3 per cent. Current rules require the government to pick up the tab for uprating up to 7 per cent. "It is Joe Public who will pay for these changes," said Peter Tompkins, an actuary at Price Waterbouse. "it's actually quite a big reduction in bene-

WHEN THE MOST POWERFUL PERFORMANCE IS WHAT IT TAKES

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US: higher interest rates have improved solvency, says Maggie Urry

for US investors. Early in February the Federal Reserve surprised the stock Healthy year for the \$2,500bn industry market by raising short-term interest rates in a pre-emptive strike against inflation. By the year end the Fed had lifted its main interest rate six times,

and, with another rise early this year, the discount rate had doubled from 3 to 6 per cent. Higher rates meant lower markets, and towards the end of the year investors also had to contend with the problems in Mexico and a string of derivatives scandals.

ast year was a poor one

Yet paradoxically 1994 was a good year for the health of the \$2,500bn US pension fund industry. The rise in yields on long-dated bonds benefits the funds because they use that yield to calculate the present value of their long-term liabilities. By increasing the discount rate, the liabilities were reduced by more than the funds' assets were hit by lower bond markets.

As a result the severe underfunding of pension funds has declined in 1994. That trend has been helped by a tightening of the law through last year's Retirement Protection Act, which is forcing employers to fund their pension plans to a greater degree.

The Pension Benefit Guaranty Corporation, a Federal agency set up by the Employee Retirement Income Security Act (Erisa) in 1974, is expected

the underfunding of pensions when it produces figures later this year. At the end of 1993 the pensions it insures, for 41m people through 58,000 pension plans, were underfunded by a staggering \$71bn.

While the rise in bond yields helped on the liability front, the waak markets are not expected to change the way pension funds invest thair assets. In the long term, ona year's poor returns are not sig-

Mark Scott, head of consulting at the Wyatt Company, the consulting and actuaries group, says that after the stock market crashed in 1987 people thought pension funds would cut their equity weightings. But now the crash has largely been forgotten, he says. Don Ezra, who heads the

consulting side at Frank Russell, another pension fund consulting company, agrees that last year's returns are unlikely to change the way funds allocate their assets. Mr Ezra says that on average funds are maintaining a 60 per cent weighting in equities.

Nor have the problems in pension funds look at international diversification. This has been an important trend among US pension funds in recent years, and 1994 again saw a rise in the weighting of international investments mainly in equities.

According to figures from Greenwich Associates, the percentage of corporate pension fund assets invested internationally has risen from 5.8 per cent in 1991 to 9.5 per cent (including bonds) in 1994. Public funds have been even more aggressive, lifting the international proportion of their assets from 5 per cent in 1992 to 11.2 per cent in 1994.

ents one has 25 per cent in international investments, and the avarage is 15 per cent. Maxico, and other emerging markets, represent only a tiny proportion of the total funds. However, thera is an area where international invest-

Mr Ezra says that of his cli-

ment is not so popular, and this is among the defined contribution plans. It is a worrying indication of a much less aggressive investment policy by these funds which are likely to achieve lower investment returns in consequence.

Among corporate defined

THE TRUSTEES AREN'T COING TO BUY YOUR SPIEL ABOUT THE VALUE OF INVESTMENTS COING DOWN AS WELL AS UP FOR EVER



benefit plans - which fix pensions based on worker's salaries - the international weighting is 14.1 per cent, the Greenwich statistics show. But in corporate defined contribuıns – which set a level of contributions rather than promising a result - the overseas weighting is 1.5 per cent. two types of plans is remark-

ably different in other respects. too. Defined contribution plans have on average 29.7 per cent of their money invested in the company'a own shares, compared to 0.9 per cent for efined benefit plans. Another 34.9 per cent is in guaranteed investment contracts (against 0.8 per cent), which favour safety over hope of growth. The reason is that under

Japan: pension assets

US pension plans - overseas equity holdings (% of total fund)

1983 1994 1997 1992 1991 8.6 11.9 Public pension funds

defined contribution plans the employee chooses where his money is allocated. They tend to opt for the safety of a fixed return or the "devil they know" of their own company's shares, fearing that other investments are too risky. In fact, diversification and a higher weighting in equities would over the long term reduce the risk and improve the return.

Mr Ezra says this is a worry for both the plans and the economy. "Contribution dollars are not being used as efficiently," he says, as "employees look at their pension funds as savings accounts rather than investment accounts. They go for short-term safety sacrifice long-term growth." That could mean when the employees eventually retire they will have less to live on from their pension. They may sleep well now but

managers - perhaps the most significant hindrance to devel-

oping a really competitive mar-

ket. Once that is replaced by

total return investment valua-

tions, using market values, you

will really have a clear compet-

itive set of numbers, and peo-

ple certainly will have to use

those more in determining

their choice of managers."
Other factors such as the

ageing population and recent

poor stock market returns may

also contribute to increasing

attention to performance. For-

eign fund management groups

which have experience in

highly competitive markets

where performance records are

all-important could be at an

advantage when the change

focus on comparativa performance statistics has led to

large flows of funds to the

management companies head-

ing the league tables. However,

it remains to be seen whether

this step towards a more com-

petitive climate will be enough

to overturn completely Japan's

long tradition of awarding con-

tracts on the basis of relation-

ships rather than performance.

new rules are due to be

awarded this spring. It is

unlikely that foreign invest-

ment managers will suddenly

find themselves in control of

large swathes of Japan's

national savings, but even a

gradually increasing share of

what by any reckoning is a

massive pool of assets, has to

be good news for the fund man-

agement industry.

The first mandates under

in the UK, the recent greater

comes into effect.

they will eat less well later, Mr

Ezra concludes. Mr Scott says that Wyatt's research shows defined contribution plans achieve an average return 1.5 per cent less per year than defined benefit plans. Taken over 30 or 40 years that apparently small dif-ference will mount up to a large one when it comes to paying a pension.

Mr Scott says that either people will retire on less or they must pay more of their present salaries into the plans as contributions now.

In spite of these lower returns the trend towards defined contribution plans continued in 1994. Employers prefer them as they are less trouhle to manage, cen be cheaper, and give employees scope to

The Greenwich survey estimates that among corporate pension plans there was a net flow into defined contribution funds of \$8.67hn in 1994, while there was a net outflow from dafined henefit plans of \$27.9bn. Among public funds. the flow into defined contribution plans was \$5.8hn and out of defined benefit plans was

perst Hagers of

R10.4021. One disaster area pension funds seem to have avoided is that of derivatives. Although funds do use them, for instance to hedge currency risk, there have been no stories of big losses. Mr Scott points out that the large-scale losses from derivatives have come where they have been used for leverage, while pension funds de

not generally borrow to invest Even so derivatives are a hot topic among pension funds. Every client has had a discussion of the 'D' word at investment committee meetings," Mr Scott says. Even so, he says, only a couple of clients have decided to prohibit their use.

Mr Ezra says plan sponsors are concerned about derivatives. He suggests to them that they should monitor their exposure by working out what would happen to their assets if, he says, interest rates rose or fell by one percentage point. But he thinks it is unfortu-

nate that derivatives as a class have a bad name. It is like someone who has placed a bet over the telephone and lost money saying that telephones should be banned. It is the betting not the instrument which is at fault, he argues.

JAPAN: **Bethan Hutton** discusses the first steps in opening up the market

On the road to deregulation

Good news from Japan has ket. In particular, foreign fund been in short supply so far this year, but pension fund managers with an eye on Japan have had good reason to be cheerful, as a result of US-Japan trade

Allowing foreign investment

managers equal access to the billions of dollars worth of assets held by Japanese pension funds has been a constant demand in trade negotiations between the US and Japan. The first crack opened in 1990. with access to a few small segments of the market. But in January an agreement was reached which should give investment managers of all nationalities far greater access to the Japanese pension marmanagers have welcomed the opening up of about \$200bn of public pension funds to investment advisers - previously, only trust banks or insurance companies could manage public pension fund money.

Managers with an eye on Japan have had good reason to be cheerful

Key features of the agreement are:

partnerships to manage public pension funds;
Performance measurement

Foreign fund managers to be allowed to set up limited

rather than book values by Management companies to

be allowed to manage specialist portions of funds, rather than balanced portfolios; and ■ Licensing rules to be changed so that investment trust and pension fund management operations can be run

Lawrence Repeta, managing director of Frank Russell Japan, an American firm of pension consultants, said: Unquestionably, this is the most significant package of deregulation measures since the creation of the investment adviser law in 1986. It will take some time to implement, but

ket will he subject to more competition and there is a significantly greater opportunity for foreign managers.

Those who stand to gain

most from the agreement are the foreign fund management companies which have established themselves in Tokyo to take advantage of the first tentative round of deregulation, and which have been marketing steadily for the past few years. As their names are now familiar to the Japanese institutions, and with a wider scope of activity, they should start to see real benefits from their efforts. New operators who are attracted to the Japanese market by these deregulation mea-

800 600-Since Jan

sures may still find progress rather slow initially.

Naturally, some barriers still remain. Independent advisers have not achieved 100 per cent access to pension funds; private pension schemes can only allocate up to one third of their funds to independent managers (whether Japanese or foreign), and then only once the scheme has a three-year record. This was reduced from eight years by the recent agreement. However, there are hopes that deregulation may be extended in due course to increase the one-third limit and remove the time limit altogether.

There are still heavy restrictions on pension funds' asset allocation: for example, 50 per denominated fixed interest 30 per cent can be invested in overseas securities. However. market participants say that these restrictions have little practical significance at the moment, as very few pension funds are even approaching the limits on overseas investment. If in future Japanese institutional investors' strategy changes so that the limits start to hecome genuinely restricting, pressure will increase for further deregu-

An agreement gives foreign investors greater access to the market

A small shift in the rules on asset allocation may be of particular henefit to foreign investment firms. Until now, any management company given a pension mandate had to offer a balanced portfolio conforming to the overall asset allocation rules, including the large proportion of yen fixed interest. From now on, companies cen be given a mandate to manage a specialist portion of the portfolio - for example, US fixed interest, or emerging market equities. This will allow foreign managers to concentrate on their areas of expertisa, and may attract some specialist firms to the Japanese market for the first

Possibly the most significant innovation resulting from the trade agreement is the one measure which will take longest to implement the change in the method of measuring performance, from using book values as at present, to real market-based valuations by

Currently, it is almost impossible to gauge the true performance of a pension fund. Managers heve an incentive not to sell stocks which have fallen, as the book value performance measurement disguises unrealised losses. Once market valuation comes into effect, manag ers will be more likely to clear out non-performing stocks from their portfolios, so a side effect of the shift to market valuations may be a shake-ur of the stock market.

"Historically, pension fund mandates were given solely

EUROPE: Emma Tucker reports due to corporate business relationships," says Mr Repeta of Frank Russell. "The use of book valuations has tended to chscure the performance of

Disagreements delay progress

Commissioner responsible for the single market, is expected to unveil details of the next move towards the still unrealised goal of a single market in

Disagreements between member states over how to deregulate Europe's vast pension fund assets have delayed progress in knocking down barriers within the EU and last

The case for creating an internal market for pension funds is strong

year, frustrated by a three-year deadlock, the Commission withdrew its proposed directive on the freedom of management and investment of pension funds.

find out where the greatest

already meeting resistance from certain member states. but the case for creating an internal market for pension. funds is strong.

Recent reports and studies

Over the next few months have highlighted an impending Mario Monti, the European crisis in European pensions. In state pension framework based

tricht Treaty.

rules on the free movement of capital as laid down in the obstacles to pension fund investors remained.

on pay as you earn schemes is under intense pressure from ageing populations and because of the need to reduce budget deficits to comply with targets set out in the Maas-

"In all logic countries have to open up," says Koen De Ryck, a Brussels-based consultant. "The figures are fust too dramatic and the countries who promise the most have the least reserves."

According to the Commisover the last decade of this century and the first 40 years of the next will be profound. Over that period the ratio of the retired population (those over 65) to those potentially working (aged between 15 and Undaunted it launched a is expected to double from communication clarifying the its present average level in the EU of around 21 per cent."

Rome Treaty, and began con- are reductant to lift restrictions sultations with the industry to on domestic pension funds often because governments believe that savings belong nvestors remained to a nome extinctly and the The communication is be invested there indeed the liready meeting resistance pension directive was with drawn because of the belief in many member states that governments should be allowed to

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FINANCIAL TIMES

Shift into bonds accelerates

UK government bond, or gilt. market are set to result in January in the creation of an opeo arket in gilt sale and repurchase agreements known as "repos". Also under consideration is the introduction of a market in so-called "stripa", instruments which are created when the coupon on a gilt is stripped from the principal. Pension funds, which over the past five years have begun to invest more and more in the gilt market, are likely to find further encouragement these

THE RELEASE APRIL 27 1885

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innovations and could become important buyers of strips. Figures published last month showed that UK institutions bought a net £18.2bn of gilts last year out of a total £45.4bn of net institutional investments, a high proportion rela-tiva to the historical average. Of this, pension funds bought 59.5bn. "Since 1991 the trend away from bonds has reversed and now there is a clear tendency among UK institutional portfolios to hold a higher proportion of gilts," says David Boal, gilt product manager at JP Morgan in London.

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Emma Tucker reports

By progress

Continued from page 4

insist that a large part of a fund's assets be invested in local currency - so-called currency matching rules.

Only Britain, Ireland and the Netherlands – which impose few restrictions on their pension funds and consequently dominate the overseas investment market - backed the plans to open up the European market, currently valued at Ecu1,000bn (£786bn).

According to a World Bank Report published last year, the countries resisting liberalisation are doing their pensioners no favour.

"Pension reserves that are confined to domestic markets can be eroded gradually through modestly negative real rates of return or more suddenly through forced shouldering of losses elsewhere in the economy," says the report:

It points out that there are strong advantages from international diversification of penfor this is twofold. First, UK inflation and people's inflationary expectations hava fallen and have remained low in recent years, due to a severe recession and a prolonged period of high real Interest rates. As a result, pension funds no longer need to invest to such an extent in assets that

as equities or property. Second, pension funds are increasing their gilt holdings to meet the solvency requirements suggested by the Goode Committee on pensions law

This shift into gilts looks set to be boosted further by the reform of the gilts market. Repos - effectively loan agreements between two parties in which bonds act as collateral will enable investors to finance gilt positions by borrowing against gilt holdings. It will also enable them to go short by committing to sell gilts they do not currently own. This should improve the accessibility and the liquidity of the market.

A healthy repo market will also be necessary for the proper functioning of a strips market. For a strips market to work properly, there must be

sion funds. "Lower risk and

sometimes higher returns are possible over the long term

through international invest-

ment, which reduces the expo-

sure of investors to country-

specific risks such as inflation

and gives them an opportunity

to move their capital to coun-

tries that offer the biggest

So what does the Commis-

sion intend to do? Following

communication, it now has to

the publication last year of the

decide whether restrictions on

pension funds in certain mem-

Bnt Brussels is being chal-

lenged by France. According to

French government is ques-

tioning the communication's

They argue that the Commis-

sion cannot withdraw a direc-

tive because they failed to get

it adopted and then come back

with a set of rules that seek to

"We say we are not laying

achieve the same ends.

commission official, the

ber states can be justified.

return.

legality.

efficient arbitraging between the price of the underlying gilt and the sum of the prices of the strip components, which will only be possible if gilts

can be sold short. It is likely that strips will be ao attractive investment vehicle for pension funds and other investors with long-term

Strips are fixed-interest securities created when a bond is broken down into its constituent cash flows. When a bond is stripped, each roupon and the principal payment hecomes an individual zero-coupon bond.

down the rules, we are just

clarifying the rules that are

already laid down in the

for freedom of investment is

pretty strong under the treaty.

The directive on pension funds

was not really necessary

because it is a basic treaty free-

dom. The Commission now has

to decide whether there can be

Failure to shake up the

sector is stacking up

problems for the future

any exceptions - many of the

treaty's basic freedoms are oot

is consulting industry to find

out what types of restrictions

it is coming up against. The

results will define the commis-

"If industry shows we have

got a lot of problems and that

sion's course of action.

respected in all countries." Meanwhile, the Commission

Mr De Ryck adds: "The basis

treaty," said the official.

For example, a bond with 10 aonual coupon payments becomes 11 separate securities one 10-year zero-coupon principal-only strip and 10 zero-counon, interest-only strips.

94

pension funds and insurance companies - have liabilities which recuire a large payment or seriea of paymeots beginning at some specified point in the future rather than a series of payments beginning immediately. They therefore do not need an immediate and continual Income stream which a conventional gilt would pro-

communication are being broken, theo we will go to court," said the official

This, bowever, would be an extremely long and cumbersome procedure and the Commissioo would much rather seek a compromise. But, as with the directive, any compromise that fully satisfied the memher states might not achieve the goal of opening up the pension fund market.

Pressure may eventually come from within member states. Failure to shake up the sector is not only stacking up problems for the future, it is also distorting the market.

"In Germany pension funds are highly restricted," says Mr De Ryck. "Countries like the UK are investing in the German market but it is a one-way flow - nothing comes out of Germany in their direction."

The heavy investment of, for example, UK pension funds in Cerman stocks and bonds reinforces the D-Mark but weakens restrictions prohibited by the

vide. Instead they can use strips to choose in which years they receive income - by boy-ing a strip that coincides with that year - in order to match the years in which they have

to make payments. Strips can also be used by investors to exploit anomalies in the bond markets or to express a view they may hold about the future direction of ahape of the yield curve.

Like all zero-coupon bonds.

strips are sold at a discount to par, so a small up-front cash payment buys exposure to a greater amount of the underlying cash bond - so strips also represent a relatively cheap way of exploiting

They have the further benefits that they are more flexible than exchange-traded futures contracts with fixed maturities, and because they are government debt, they do not have the counterparty risk associated with over-the-counter futures products. There are already well-estab-

lished strip markets in other countries, particularly the US. Canada and France. The first US government hond was stripped in 1982 and there are now around \$225.3hn of US Treasury bonds held in stripped form. The introduction of a strips market in Cana success by the government with the strips market in combination with other reforms cutting up to 15 basis points off the cost of funding the coun-

try's huge national debt.
The French strips market, Europe's first, grew quickly after it was begun in 1991, with more than FFr87bn in government bonds stripped near the markets peak in November 1994. However, because of the much greater interest rate sensitivity of strips, holders suffered badly in last year's bear market: the OAT 81/2 per cent 2023 government bond generated a total return of minus 14.8 per cent in 1994, while the stripped principal portion of the same bond generated a return of minus 41.6 per cent.

In the UK, the fact that the Bank of England has begun to issue gilts with coupons that are paid on the same date as on large existing issues - a prerequisite for a strips market has been taken by many as a sign that a market in strips is imminent. The Bank has said that strips are on the agenda although their introduction may still be a year or so away. SPECIALIST MANAGERS: Norma Cohen reports

Breaking up the herd

industry has been bracing itself for the arrival of yet another US trend - specialist

The UK pension market place has been dominated by fund managers selling so-called "balanced" expertise, meaning that the manager decides both bow to allocate assets among various classes and how stocks within those classes should be selected.

The effect, many critics say. has been to create a kind of herd instinct within the pension fund management industry. No manager dares stray too far from the mainstream asset allocation for fear of producing results below those of the median. As a result, all pension schemes have investmeot profiles which look broadly alike, irrespective of

vastly differing liabilities. However, there is growing evidence that UK pension trustees are coming round to the view that the use of one or more balanced managers may no longer be good enough. For one, the new minimum fund-Ing requirements are forcing trustees to look at whether their investment strategy will really ensure that their assets are sufficient to meet the liabilities of an increasingly mature membership.

The need to set aside assets specifically to meet obligations to current or to deferred pensioners has led to a sharp rise in fixed-interest only fund management mandates, investment consultants say. For another, the range of

suitable investment categories for pension schemes have widened significantly into areas such as emerging markets small capitalisation stocks or commodities specialist areas in which only a few managers have genuine expertise.

"All the evidence we hava suggests that at a stock selection level, you can do better with a specialist manager," said Tim Gardiner, head of European asset planning at consulting actuaries William M Mercer and Co. "For instance, surprise, surprise, US fund managers are better than anyone else at picking US stocks. Mr Gardiner said that Mercer

is actively encouraging its cli-

agement as are several other leading actuarial consulting firms. Roughly 18 per cent of Mercer's clients by number ~ about 30 to 40 per cent of all the assets the firm advises now use specialist managemeot in some form. Mr Gar-diner said. "To me, the momentum towards specialist management is already gather-

The latest data from USised research firm Greenwich Associates confirms that some of this advice is being more widely accepted. The 1994 survey of pension trustees shows that while far more schemes of those surveyed use balanced managers than specialist - 331 against 183 - the specialist approach is gaining ground. Of those surveyed, 44 said they had recently terminated a balanced fund manager, against only 25 who had done so for a

specialist manager. Meanwhile, only 32 said they had recently hired a balanced fund manager against 40 who had chosen a specialist, and only 25 expected to hire a balthey expected to hire a special-

Peter Lockver, head of the

investment practice at consulting actuaries Alexander Clay and Partners, says the advice his firm is offering to clients is that whatever arrangement they make, "it has to remain manageable". The danger of specialist management is that clients have found they are unable to maintain a firm grip over the asset allocation process, and cannot move assets swiftly enough between managers to suit changes in their market view. Also, they have sometimes fallen into the trap of being unable to monitor investment performance of all managers simultaneously.

That said. Mr Lockver says. "what appears to be happening is that trustees are more receptive to the idea that you can take out a chunk of the portfolio and give it to a specialist

Poor performance by some balanced managers is partly to blame, he says. It's partly to do with performance measurement," he says. "Trustees see

a function of doing badly in one or two areas," Rather than take the entire fund away from the balanced manager, the trustees may simply reshape the portfolio giving the manager, say a UK equities specialist hrief. Its European or may be farmed out elsewhere.

There's a view oow that you can't expect a manager to be good at everything." Mr

Lockyer says.
One of the key obstacles in the path of further use of specialist management, consultants and pension scheme officials say, is the prevailing system of performance measurement. The banchmark median returns, so vital to the marketing efforts of leading fund managers, measure the performance of pools with balanced mandates. They offer no possibilities for comparison between, say, two Japanese equity fund managers.

The performance measure meot system has got to change," Mr Gardiner says, What we want to know is how our US equities manager is doing versus other US equities managers." Consultants say they want to know for instance how often those offering specialist management actually meet or exceed client specific benchmarks.

Fund managers offering spe cialist management say they are frustrated with the system of performance measurement because there is little point in comparing the returns of a client portfolio with a mandate to meet or exceed the Morgan Stanley Capital Index over rolling three-year periods, with those of a typical UK balanced manager investing in everything from equities to bonds to

Meanwhile, investment consultants speculate, if specialist management in the UK does grow to the extent that it dominates the pension scene as it does now in the US, it will change the shape of the fund management industry. Firms which previously offered soup to-nuts investment expertise may find it is no longer worth their while doing so and they may limit their investment activities to those at which

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But increasingly British pension fund managers, and their US counterparts, seem willing to look beyond the short-term and instead concentrate on the long-term potential offered by this class of investment.

Over five years to the end of 1994, Mexico and Hong Kong, two of the big, well-established emerging markets, were way out ahead in the FT-Actuaries World indices in dollar terms. with rises of 335 per cent and 178 per cent respectively. Singapore and Malaysia both rose cumulatively by more than 100 per cent over the same period.

But, as if to prove that what goes up can also come down, Mexico has plummeted by more than 60 per cent since the start of last December, as the market became gripped by the currency crisis, and Hong Kong fell by almost 40 per cent over the course of last year, reflecting the malaise that afflicted Pacific Rim markets.

Among smsller markets. Finance Corporation figures, in dollar terms, Peru which surged by almost 50 per cent during 1994, has fallen by more than 20 per cent since January, while Zimbsbwe, which picked up 25 per cent last year, fell by almost 15 per cent during the first quarter of this year.

Pension fund managers in Britain and the US, taking s long view of five, 10 or even up to 20 years, are far from being put off by the volatility. Indeed some managers regard the current lower prices for equities after the falls since the start of the year, as a fresh buying opportunity. Some are actively looking to increase substantially the proportion of their portfolios beld in emerging

According to Caps, a leading performance measurement agency, Britain's pension fund industry held an average of 1 per cent of its £450bn assets in emerging equity markets at the end of last year, up from 0.1 per cent at the beginning of 1991, but little interest in emerging market debt. John Clamp, at Caps, said that the build up in emerging market boldings began during the sec-ond half of 1993, but had reached a plateau in the first three months of this year.

But that might be about to

EMERGING MARKETS: Michael Morgan discusses the options in a volatile world

The long-term potential remains

IN RETROSPECT, I MIGHT HAVE SEEN PRUDENT TO DE-EMPHASISE MY EXPOSURE TO EQUITIES IN FAVOUR OF SOMETHING LESS VOLATILE



as part of an asset liability review, said he planned to appoint managers with speci-alised knowledge of the mar-

change. The manager of one large UK pension fund, currently reassessing his portfolio between 5 and 10 per cent of his total fund, up from virtu-

ally zero at present. "In terms of returns, the emerging markets should outperform developed markets mistakes in the timing of over the next 10 years," he

Another senior pension fund manager, with about 3 per cent of his funds invested in the Pacific Rim and less than 1 per cent in Latin America, noted that UK funds had heen invested in the Pacific Rim for some five to six years while their exposure to Latin Amer-ica had been much shorter, at only two to three years. "The current concern is with Latin America, rather than the emerging markets as a whole,"

"The Pacific Basin has been a story for so long that it has now become part of the scenery. In the unlikely event that Hong Kong were to go down by 50 per cent, we could still point to a lot of money that we have been able to make there over the years," he said.

"On balance, I think that it

is probably time to put more money into Latin America although one has got to be able to reassure trustees that the

investments that we made last time will not be repeated. And the trustees would be quite right to be very cautious."

In the US, meanwhile, John Purcell, the director of emerging market research at Salomon Brothers, forecasts an explosion of US pension fund investment in emerging equity markets, and also strong demand for debt. He estimates that at present,

the top 200 defined benefit plans in the US, withtotal assets of \$2,000bn, have up to \$15hn invested in emerging market equities and between \$2bn and \$5bn in debt. But over the next three to four years, Mr Purcell reckons that could grow to a total of \$100bn.

r Purcell says that the US pension funds have been watching the emerging markets closel for the past two and a half

The volstility in growing markets over the last year, and

FT-A World Indices (\$ terms)

the subsequent lower prices, had provided a catalyst for managers who had already been considering investing.

They are already coming in on a slow basis, so the question is not when, but bow fast," Mr

He said that the funds looked to Asia for equity investment, and to Latin America for debt. There was also some interest in eastern European debt

where a limited level of investment was already being made in Poland, Hungary and Bulgaria while funds were "looking just looking" at Rus-

They are not the only investors looking at Russia. Early this year, Arnsb Banerji at Foreign and Colonial Emerging Markets, was also pointing to the potential attractions of Russia for equity investors.

While he recognised the practical problems facing foreign investors in making investments, Mr Banerji highlighted the country's immense resources and need for modern infrastructure which, he said, presented extraordinary growth opportunities. "Almost everything is undervalued," he said. "Russia's potential is difficult to quantify but we believe that returns of up to 200 per cent are conceivable in 1995."

However, by mid-March, Templeton, one of the biggest institutional investors in emerging markets, underlined the sort of problems that canface investors in some of the world's newly emerging

markets. It put on hold plans for a \$300m Russian country fund because of the government's failure to provide adequate protection for shareholders.

Mark Mobius, president of the Templeton Emerging Markets Fund, said that investment in Russia was hampered by the lack of western-style custodian and depository services, while the cavalier attitude of directors of Russian companies to their sharebolders was another serious problem. "Ownership rights are not honoured," he

SAFE CUSTODY: Christine Buckley reports

New technology helps improve standards

It is getting a little rosier in approval and trepidation. the custodian's garden. Events and settlement procedures both globally and domestically. Improving standards are being speeded by international regulatory drives and technological advances.

From June the settlement period on the London Stock Exchange will be balved to five days meaning securities will have to be paid for and delivered no later than five days after the deal is struck. The move comes just under a year after the Londoo market first embraced rolling settlement on a 10-day basis and the sbift to five days is a leap viewed with a mixture of

The ultimate aim in the UK is for same-day settlement but

that is dependent on the operation of paperless trading. Crest, the system for paperless share settlement, is being developed by the Bank of England to replace the present Talisman system operating on the exchange. It is scheduled for trials by market participants early next year with full implementation set for the second half of 1996.

Swifter settlement in the UK market is part of a worldwide trend stimulated by the desire to reduce the risk of failed trades and hy the growing internationalisation of securities. London sgreed to the

sdvances in 1989 after an international call for faster settlement by the G30, the Weshington-based study

From June, the UK will move more in line with the leading financial centres which settle more speedily. The US runs rolling settlement on five days; Japan on three days; France on three days and Germany on two days. In the emerging markets the situation is tougher and custody and settlement arrangements can be slow and complex. But many emerging markets have come a long way in a short time with their financial infrastructures growing np quickly. Taiwan, for example, is berTHAT'S IT - PM FINALLY MIDDLE-AGED. I JUST HAD A CONVERSATION WITH A PENSION FUND MANAGER AND FOUND IT INTERESTING



alded by many custodians as a model of efficiency. It settles on a T+1 basis although that can be extended for foreign transactions.

Pension fund investment, as

with all forms of securities activity, cannot help hut be a beneficiary of reduced settlement periods and Improving registration metbods for securities in overseas markets. While pension funds do not tend to move in and out of stocks with great rapidity, they will benefit from reduced risk and the smoother running of custody and settlement. But faster settlement will

From June, the UK will move more in line with the leading financial centres which settle more speedily

bring more pressure for stock lending. Already the practice has increased quite signifi-cantly since the switch to 10day rolling settlement from the old two and three-week trading accounts. Stock lendmg, the lending of securities to another party which has a temporary need of them, has become more widespread now marketmakers have to balance their books daily instead of at the end of a settlement period. The increase in stock lending has gone some way to making it a more established and

acceptable practice. But for many pension fund trustees it sends a chill to the heart which is summed up in two words – Robert Maxwell, who was fond of shoring up bis empire with stock borrowed from his pension funds. Many pension fund investment managers say they will not lend stock although they recognise the growing demand for doing so which will inevi-tably increase wheo five-day settlement arrives.

Robert Maxwell, the Hannibal Lecter of pension fund iovestment, also serves as a reminder that the argument for independent pension fund custodians remains a live

Recently, the Barings deba-cle put a little more vim into the debate of whether pension fund trustees should appoint custodians who are independent of fund managers. The Barings crasb, while a different issne from the Maxwell pension scandal, cannot help but focus the mind on safe custody. And in this it highlights the polarised positions of the large banks, which act as global custodians, and the leading fund managers, which provide their own custody ser-

After Maxwell was found to have plundered £440m from pension schemes under bis control, global enstedians argued for regulations to ensure that custodians are separate from fund managers. The Goode Committee on pension fund regulation considered such a proposal although eventually decided against rec-

whose global custody services form an increasing part of their business, cite Maxwell as a reason for independent cus-

ment Management Limited, argues: "The view expressed by global custodians that an independent custodian would have protected the Maxwell pension funds is not proven. The shadow of Barings Bank looms over the debate on safe custody Instructions by trustees of pension funds issued with the intention of fraud would be. depending on the level of custodisns to detect. For glohal custodians to infer. throngh their over-zealous marketing, that they are better equipped to resist these attempts than the integrated

tody services, may be viewed as misleading trustees The National Association of Pension Funds is neutral on the issne. John Rogers, the secretary of the association's investment committee, says: 'We don't have a problem

todians the strong lobby of fund mansgers who provide in-house custody say this is Brian Scott, bead of custody operations at Schroder Invest-

arrangement But the large hanks are investing heavily in technology to improve their custodial services and to lure fund management clients. Recently the houses, who can ensure that Prudential opted to take on an fund management and custody are procedurally separate and external custodian for its global custody business on the who for many years have progrounds that it would have to vided efficient segregated cusincur high-technology costs if it were to keep pace with developments in custody.

There are also signs that pension fund trustees are becoming keener to know the breakdown of what they get for their management money and what part is for custody.

with the investment managers It is not easy. The large fund for pension funds having cus-tody although custody should charge for custodial services an independent custodian will not get reduced rates.

Regulation of custody could help costs become more transparent and make pension fund

trustees happier. But there are no plans for regulation so far. The govern-ment bas rejected appeals for such a move on the grounds that it would be costly and that it smacks of over-interference. However, Parliamentary debate could yet lead to

changes here. The garden is getting rosier but one or two thorny issues still beset pension fund custody and settlement.



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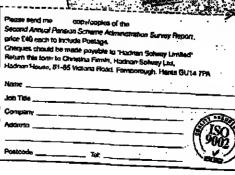
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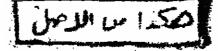




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AND PART FRANCE

Treading cautiously in a profitable market

ruary this year was the latest of a string of derivatives-re-lated financial disasters. Yet the pension fund managers are out of one asset class and into slowly increasing the extent to another relativaly cheaply. which they use derivatives and One hundred and eight of the 350 European funds used derivthe hanks and securities houses which sell futures, atives for this purpose.

Using traditional methods, a fund manager wanting to switch a part of his investment from UK to US equities would typically sell UK equities and then over a period of time buy US stocks. Using derivatives usually contracts traded on exchanges such as the London international Financial Futures Exchange (Liffe) -fund managers would sell the FTSE stock index futures and buy the S&P 500 stock index contract, subsequently buying and selling individual underlying shares according to market conditions

As well as allowing managers to switch their funds from one investment category to another more easily, the costs involved in tactical asset allocation are generally lower, Intersec also found that the use of derivatives for hedging currency and interest rate risk

was also relatively widespread. Here pension fund managers would buy put or call options or adopt strategies using

futures contracts.

Intersec's research showed that only a small percentage of pension fund managers - some 4 per cent of those interviewed in its survey - invest In managed futurea or structured derivatives funds, which use futures and options as their primary means to gain exposure to markets. Such funds usually invest In a combination of cash or bonds and Specialist derivatives funds known as managed futures or structured derivatives - offer this kind of exposure.

Nevertheless the survey found a high level of fear and misunderstanding about derivatives among investment managers and pension fund trust-

Restrictions outlined in investment guidelines limit the use of structured derivatives at 56 per cent of the institutions.

LET'S TALK PENSIONS BEGLEY-SPECIFICALLY YOUR OWN AND THE MERITT OF TAKING IT EARLY UND PERFORMANCE



EXTERNAL MANAGEMENT: the trend away from in-house teams is continuing, says Norma Cohen

Poor understanding by management, regulatory restrictions, negative press coverage and the lack of a recognised benchmark also depressed usage in this respect.

"The poor image that deriva-

tives in general have, feeds directly to the trustees or investment committees, creating the impression at this level gerous and only for speculators," said Intersec.

However, Intersec argued that such concerns are slowly being overcome as pension funds become more familiar with derivatives.

Intersec's findings reiterate the conclusions of other recent investigations, For example, research completed in January 1994 by Buchanan Partners found that 57 per cent of 166 UK pension funds used some form of derivatives. Funds in the range between \$251m and \$500m Were the most active

And these findings are supported by more anecdotal evidence. For example, the interest of pension fund managers in education programmes run hy the London International Financial Futures and Options Exchange, has heen rising steadily.

A recent survey by Liffe found that pension fund trustees for local authority pension funds - which account for about 30 per cent of UK pension fund money - have been increasingly giving permission to their fund managers to use derivatives, according to Ms Sandy Phillips, manager equity products at Liffe.

Because local authorities are legally obliged to regularly review the management of their funds, the pension fund manager's remit is reviewed very regularly, says Ms Phillips. About half the pension funds which have permission are using derivatives, she

Part of the reason for the increase is the modification of the tax and regulatory framework. The 1990 Finance Act clarified the tax treatment of derivatives for pension funds. In addition, there is a growing self-confidence about derivatives within the industry. Guidelines developed by the British Rail Pension fund have been circulated by Liffe and

widely adopted in the UK. The guidelines state that futures and options should be used for investment rather than trading purposes and that pension funds should not use

them to gear up or leverage their investments. Changes in investment strategy and tactics involving the use of derivatives should be discussed with trustees. "The comfort factor is being built up gradually for both trustees and fund managers," aays Ms Phillips.

Certainly there is growing recognition among banks that pension funds represent a growing market for derivatives

products. Stephen Oxley, vice-president at intersec, expects pension fund use of derivatives to erow, as understanding increases. In particular, he predicts much biggar levels of investment in managed futures funds in Europe.

Tha final stages of intersec's research coincided with the collapse of Barings Bank and again on the front peges of

According to Mr Oxley, however, the effect was not nearly as negative as might have been expected. Management failings rather than the fundamental problems of derivatives instruments frequently figured in explanations of the disaster. helping to persuade soma sceptics that there is nothing inherently dangerous in futures and

an companies which are good at making machine tool parts and textiles also be good at invest-

autious pension fund trustees have had plenty of reminders over the past two years about

the dangers of derivatives. The

failure of Barings Bank in Feb-

options, swaps and more com-

plex derivative products see

pension funds as an important

Recent research by Intersec,

a US research consultancy, and

The European Managed

Futures Association (EMFA).

demonstrates the extent of the uptake by European pension

funds. In the research, pub-

lished in April this year, Inter-

sec and EMFA conducted

in-depth interviews with the

managers of 350 European pen-

sion funds. More than half the

funds interviewed used deriva-

tives, either directly or

through the outside firms to

which they contract responsi-

bility for fund management

According to the survey, pension funds make the great-

est use of derivatives for the

purposes of tactical asset allo-

cation, a technique which

allows fund managers to move

and growing market.

Increasingly, it appears, companies are saying no. Recent moves by two large UK pension schemes to abandon their long-standing internal fund management divisions, is evidence of a growing trend on both sides of the Atlantic Ocean to look outside for professional Investment expertise. Imperial Chemical Industries, the UK's tenth largest corporate pension scheme, quietly abandoned its long-standing in-house investment team following a review of the assets and liabilities of the £4.6bn scheme. Meanwhile, Coats Viyella, whose pension assets are roughly £900m, closed its internal pension fund management division and farmed out the management of the scheme

It is a trend that has long been under way in the US, consec, the US-based pension fund research consultancy, show administration are that at the end of 1992, little those non-core business

to four external managers.

More companies switch to outside experts more than a quarter of the

\$3.2bn in US pension assets was managed internally. This contrasted with roughly 40 per cent of UK pension assets at the same time. And on the Continent, the percentage of internally-managed pension assets is even higher. However, investment consultants and pension managers

point to several factors which they say are hastening the trend towards external management In the UK and abroad. The first is a restructuring of the industrial base in both the US and the UK. Years of recession and fierce competition from abroad have forced manufacturers, in particular, to focus more closely on their core husinesses and contract out non-core functions. Pension fund management and administration are among

Moreover, the universe of investment has expanded greatly. While investment in. say, shares of small companies based in Thailand, would once not have been considered for a pension portfolio, today such investments ara no longer deemed to be unacceptable.

The latest figures from Intersec Research show that in the US, the proportion of US assets invested abroad has grown dramatically in the past two years. At the end of 1994, roughly 8 per cent of the average US pension scheme was invested overseas, up from 4.7 per cent at the end of 1992. In dollar terms, the value of overseas assets has roughly douhled in two years, hitting \$303bn by the end of last year. With such rapid expansion into new asset classes, the demand for fund managers

with highly apecialised skills

has sky-rocketed. "We concluded that the investment waterfront has broadened considerably," said Sam Dow, Coats Viyella company secretary, In explaining why his company opted out of internal fund management. "There are many areas where in-house managers don't have the exper-

tise or the technology to do the

job effectively," he said. Indeed, Shell Oil, which is considering expanding the proportion of funds which it manages externally, has also cited the rising cost of hiring fund managers with expertise in new asset classes. Large external managers can often afford to pay more generous salaries to rising stars than can in-house managers.

Also, the growing use of technology hy fund managers has raised the cost of running an in-house team. Unless a

fund is of a large enough size or the in-house manager is able to attract business from outside - the investment in computer systems may not be worth the gains it achieves in

investment performance,

Moreover, the growing awareness of the fidnciary duties of trustees in the UK and in the US may also be driving the move towards use of external managers, "Lawvers usually raise red flags about issues of trusteeship," said Mike Beasley, managing director at Strategic investment Solutions, a California based investment consultancy. "If your in-house manager underperforms, you have taken on a liability which is much harder

Where In-house managers have traditionally had the edge over external management is in the area of costs, consul-

competition for new husiness is compressing external managers' fees to the point where they may not be significantly higher than the costs of managing funds in house, says Alan Emkin, managing director at Los Angeles-based Pen-

sion Consulting Alliance. While both ICI and Coats Vlyella had recently experienced poor performance from their in-house managers, poor investment returns have not apparently played a crucial role in the decision by these companies to use external managers. Indeed, over the previous five years, Coats Vivella's in-house team had actually outperformed the median UK fund manager's performance.

Data from WM Company, the UK performance measurement service, show that over the

tants say. But recent intense long term, there is statistically little difference between the returns of internal and external managers. In the five years

> returns of 16.9 per cent exclu-sive of property while external managers achieved returns of 16.8 per cent. ClN Management, the in house fund management arm of British Coal's pension schemes, has out performed the industry median in recent years. British Coal's announcement that it is up for sale as part of its privatisation has attracted great interest from existing external fund manage

to 1994, internal managers

achieved average annual

acquire its investment teams. And several internally-managed US pension schemes are so adept at fund management

ment companies in the UK and

abroad who are eager to

that they have broadened their

product base to include a range of mutual funds which are marketed to employees. Moreover, says Alistair Ross

Goobey, chief executive of Hermes Pensions Management (formerly PosTel, the in-house manager of the British Telecom and Post Office pension schemes), it does not appear as though the size of the assets under management are the issue. "There's no hard and fast rule about this. Some small funds have done very well being managed internally," he says. He cited Courtaulds and RTZ as two companies which have done well out of managing their funds.

Mr Ross Goobey argues that what an in-house manager offers over external management is consistency of approach. "A lot of external managers are eclectic. They change their style when the markets change," However, Mr Ross Goobey says that there are times when it is eppropriate for an in-house manager to look outside for expertise. "For specialisation, where you are not able to appoint somebody. it is better to go external."

JAPAN PENSION FUNDS **GUIDE AND DIRECTORY 1995 — 1996**

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hen the actuaries begin to look young you may suspect that the years are catching

Time is also catching np on Britain's pension funds. Most have been established for many decades. When they are young, cash floods in and accumulates, and the eventual need to pay out to pensioners is only a distant worry. But during the pest 15 years, in particular, the workforces of larger companies or nationalised industries have tended to shrink while their armies of pensioners have grown more numerous.

This is when trustees begin to call for asset-liability studies, which are analytical exercises carried out by actuarial firms to assess whether scheme assets will satisfactorily match the pensions pay-out profile. Yet such studies are regarded as expensive and sometimes contentious.

One firm of actuaries, however, Alexander Clay, is now offering cli-ents an interactive model which can be run on a personal computer to simulate factors such as rising matu-

An extreme case of maturity is that of the British Coal pension schema, which once had hundreds of thousands of contributing members, but which had seen the workforce shrink to a tiny fraction of that before the privatisation of the remaining pits served to detach the pension plan entirely from its active membership.

So the £16bn pension scheme is highly mature, being largely focused on pensioners in payment, together with an element of deferred pensioners who will begin to be paid at some time in the future, depending on their particular retirement ages. So there is next to no income, but an increasing requirement for cash to be released to MATURITY OF PENSION SCHEMES: Barry Riley reports

Age need not slow pace

finance the monthly pension cheques.

This is an extreme case, but according to a recent survey by the National Association of Pension Funds the average member fund now has only 5,000 members compared with 4,700 pensioners in payment and 2,800 deferreds. A typical scheme such as this will have a large proportion of its liabilities concentrated within the next 10 years or so. But an immature scheme, run by a company with a mostly young workforce, might have insignificant liabilities during the next 20 years or more.

Actuaries have found, to their frustration, that pension funds have in the past paid very little attention to their liability profile in setting their investment strategy. They have preferred to chase consensus strategies and high investment returns without considering whether their risk tolerance is as great as for other, younger,

Mature schemes have to worry about selling assets in order to pay pensions. They will be damaged if they have to dispose of volatile assets at the bottom of a market. Less volatile assets may be preferred even though the investment returns on

these will be comparatively low. On the other hand, an immature scheme does not have to worry about forced disposals. It will have a positive cash flow from contributions into the distant future. Its managers can afford to chance their arm in, say, emerging markets in the confident promises. Fixed interest gilts can be

mind that investment theory states that the highest-yielding assets are

also likely to be the most volatile. Besides basic investment risk, there is also the important factor that different categories of Hability have different characteristics. For active members the liability is normally linked to salary at retirement. Deferred pensioners have a statutory protection on the basis of limited price indexation - that is, inflation up

When they are young, cash . floods in, and the eventual need to pay out to pensioners is only a distant worry

to a ceiling of 5 per cent. Pensioners in payment have no statutory protec-tion at present, but may be given promises (sometimes legally binding, but usually only conditional) of rises of anything up to full indexation.

Equities are generally considered to offer the best match for future final salary-linked liabilities. Profits and dividends, and therefore share prices, are likely to grow in much the same way as pay in the long run. In this context, equities offer protection against unexpected increases in infla-

Index-linked glits provide the best match for inflation-linked pension

MORE THAN BANKERS, BUSINESS PARTNERS

expectation of being able to ride out a used to secure fixed pensions. LPI-bear market. They will not much based liabilities are more difficult, but based liabilities are more difficult, but a mixture of fixed and index-linked gilts may be appropriate.

Several fund management houses are targeting the specialist bond mandates that are now being increasingly offered by mature pension schemes. "The maturity argument is galuing ground quite rapidly," says Mr Roger Hunt, head of marketing at AMP Asset Management in London. "We find that our clients are ring-fencing a specific liability and are usually setting customised benchmarks."

Official statistics indicate that UK pension funds bought nearly £10bn of gilts last year, and they are likely to remain regular purchasers. Oddly, however, some of the industry statistics show an important element of overseas bonds, especially in the portfolios of the smaller, more aggres-

sively managed pension schemes.

Thus Caps, one of the two big performance measurement services, showed an average 5.2 per cent alloca-tion to overseas bonds at the end of 1994, against 7 per cent in sterling bonds (including index-linked). But on a weighted basis there was only 4.1 per cent in overseas bonds against 10.4 per cent in gilts. It seems that big funds, which are also likely to be the more mature, have been substantially building up their index-linked weightings, in particular.

Where do overseas bonds fit into this picture? They do not directly match domestic pension scheme lia-

bilities, but they may offer attractive diversification possibilities, just as overseas equities add diversification

to UK equity portfolios.

According to Nicholas Holliday,
marketing director of Fiduciary Trust. International, which is active in international bonds, risk/return studies have shown that diversification is appropriate. The consensus among UK pension funds is that overseas bonds have become more attractive in recent years, as the increase in weightings shows," he says.

in the past, however, pension funds have been reluctant to make substantial commitments to gilts because of the fear that the cost in terms of inferior performance would be unaccentably high. During the 1980s gilts underperformed UK equity returns by 8 per cent a year on average.

In the first half of the 1990s, however, fixed interest gilt returns actually beat those on equities, albeit by a small margin. According to the thirdbiggest UK pension fund managers, Schroders, in a recent strategy review, this pattern may broadly persist, with gilt returns likely to be simflar to those on equities up to the year

This means, say Schroders' strategists, that pension funds which want to increase their bond exposures have an unusual opportunity. They may want bonds either to match a mature liability profile or to reduce the risks associated with the minimum solvency standard being introduced by the Pensions Bill.

Either way, the performance penal-ties associated with a shift towards bonds look like being unusually low in the next few years.

Many pension funds are getting old, but they may not, after all, need to slow down too much.

CORPORATE GOVERNANCE

Red signal for the gravy train

out. John Major, the prime minister, has repeatedly insisted in the House of Commons when questioned about the provocative pay increases enjoyed by the bosses of privetised utilities.

Recently, however, he has changed his position, hinting that legislation might after all be considered. The change probably reflects the need to respond to obvious public outrage rather than any doctrinal shift But the politicians are becoming irritated.

It has certainly appeared that most institutional shareholders have been less than assiduous in controlling the escalation in executiva rewards, with one or two honourable exceptions like Alastair Ross Goobey, chief executive of Postel, which manages the investments of the Post Office and British Telecom

Too many top people at leading investment institutions, it. could be argued, have firstclass seats on exactly the same gravy train as the electricity and gas chiefs. Prudential Corporation, Britain's biggest institutional investor, was itself sometimes criticised for over-paying its former chief executive, Mick Newmarch, who resigned in January on an unrelated issue. But pressure

is building for the institutions

to get a grip.

There have been several highprofile cases recently. Cedric Brown of British Gas has twice been hauled before a House of Commons committee, and con-troversy is threatened at the annual meeting of British Gas-next month. PIBC, a corporate governance consultancy which advises many British and American pension funds on UK; issues, has devised a resolution. which calls on the company's directors to "revise their execu-tive pay policy in line with best practice". It is lobbying for broad institutional support.

American institutions were behind the protests last year over Maurice Sastchi's benefits package at the eponymous advertising agency. David-Herro, a Chicago-based investment manager, led the campaign which resulted in the departure of the Saatchibrothers amid much recrimina-

tion.
Macho attitudes have been quite common among the big. American pension funds, led by the giant Californian public investors is that they are not voting on corporate issues is seen as a matter of duty and care. British institutions, however, have been generally reluctant to become involved



Maurice Saatchik US led the campaign to need him

in governance issues. A few. notably the Prudential, have made a practice of voting on all resolutions. In general; however, the exercising of pro-prietorial responsibilities has been seen as time-consuming and usually unrewarding.

But pressures are building on the institutions - of which the pension funds represent the biggest group - to take a more constructive approach. After the excesses of the late 1980s the hostile takeover bid is no longer seen as a satisfactory solution to the problem of

poorly-performing companies. Institutional investors also have to consider the possible implications of a Labour win at the next general election, in which case ideas of long-termism and multiple stake holder responsibilities are likely to be pursued. Selling in the market or to a bidder may not in future be such an easy exit route from an unsatisfactory investment.

But shareholders run the risk of being sidelined. Investment institutions have not been centrally involved in pro-moting either of the two big corporate governance initiatives of recent years, the Cadbury Committee, which reported in 1993 on financial reporting and board structures, and the Greenbury Committee which is at present devising a code of practice on executive

However, the Greenbury Committee includes representatives from the National Assoclation of Pension Funds and the Association of British Insurers. But the organisation

tors, ProShare, was furious at being refused the opportunity to put forward a nominee. The Cadbury Committee was

ochtief III

mainly sponsored by the Financial Reporting Council and the chartered accountants together with the Stock Exchange, bodies which felt some responsibility for the wave of scandals in the 1980s. The Confederation of British Industry and the Institute of Directors were also involved. and it is the CBI which has sponsored the Greenbury nvestigation into pay.



Beyond Greenbury, a second Cadbury style committee is to be established, by the original sponsors, to inquire further into governance questions.

including pay.

In this area the NAPF has called for a tightening of the rules, notably a clampdown on excessive contract lengths, which have often run to three years in the past but are rec-ommended to be cut to one. The ABI has been less aggressive in this respect, probably because of the sensitive position of a number of insurance company bosses. Both bodies. however have set out a code of practice for grants of share contions:

in addition the NAPF has developed an early warning member schemes to the few controversial resolutions at annual or extraordinary general meetings which may be hard to spot among the con-stant stream of routine and incontentious proposals.

It remains to be seen how much time and energy pension schemes will be prepared to devote to proprietorial responsibilities. A common theme expounded by institutional But_as investors they can judge when things are going wrong. The contribution of the Cadbury Report was to explore and codify the role of the nonexecutive director, an independent outsider who is expected to represent the interests of shareholders in general.

Non-execs have proved to be valuable in corporate crises. when they can take the initiative, perhaps by seeking to restructure the board and move the company in a new direction. They have their limitations, however, as in the difficult area of executive pay where their presence on remuneration committees has not prevented the escalation of salaries and bonuses in a way which is provocative to the public and inadequately justi-

Editor of the

\$52 (\$25)

per santing

fied to shareholders. As the Saatchi & Saatchi affair showed, governance is acquiring an international dimension. There are significant issues to be tackled for instance, in Continental Europe, where US and British pension funds are becoming disproportionately important shareholders, in the absence of substantial local long-term equity-owning institutions.

Corporate governance struc tures tend to be very country-specific. In Germany, for instance, they are dominated by the big banks, and in France there is much network ing with politicians, nationalised industries and the civil service. Privatisation in France shareholders, which his the board and share

world are beginning ate the need to collaborate it order to defend their makes tralia, Germany and the UK. have agreed to exchange to mation on corporate gove

nance issues. But there is a very long way to go before common gover nance standards can be suppled even throughout Enem alone across the range emerging economies which so much institut

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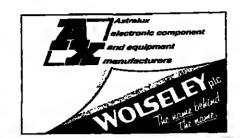
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LAS FINES THERE APRIL 29



Chrysler's

shares fall

as market

scorns bid

By Richard Tomkins in New York

Shares in Chrysler, the US car manufacturer, fell \$2½ to \$41% -nearly 8 per cent - in early trad-

ing yesterday as the market con-

cluded that Mr Kirk Kerkorian's

\$55-a-share hny-out proposal was

virtually dead.

The \$22.8bn hny-out would

bave been the second biggest in corporate bistory. But late on Tuesday Mr Kerkorian acknowl-

edged in a long, hitter letter to Mr Robert Eaton, Chrysler's chairman and chief executive,

that be had been unable to arrange the necessary financing.

Mr Kerkorian ended by chal-lenging Mr Eaton to put the

hny-out proposal before share-

bolders. Bnt vesterday, Chrysler

said: "Chrysler is not for sale

and the Chrysler board is not willing to gamble the future of

the company or its employees in

Reinforcing the market's senti-ment, Fitch Investors Service, a US credit rating agency, lifted its negative alert from Chrysler's

deht and reaffirmed the compa-

ny's single A minus rating, saying it now looked unlikely that
Mr Kerkorian would be able to

move his proposal forward.

"Additionally, no other entity has advanced a competing offer,

indicating a high probability

tbat none will emerge," Fitch

said. The agency had been con-

cerned that a leveraged buy-ont

by Mr Kerkorian would drain

cash from Chrysler, to the detri-

ment of the company's new prod-

Mr Kerkorian, a 77-year-old

investor who holds 10 per cent of Chrysler's stock, complained in his letter to Mr Eaton that Chrysler had "openly intimi-

dated commercial and invest-

ment banks into refusing to dis-

cnss the financing of the transaction with us, with threats of both commercial retaliation

But Mr David Garrity, an ana-

lyst at Smith Barney, said Mr

something of a conundrum" hy

initiating an offer without a stra-

tegic partner, such as another

car manufacturer. "I think it

became a situation where, with-

ont a strategic partner, financing

was not easily available even

before Mr Kerkorian's allega-

tions that Chrysler was intimida-

Mr David Healy, an indepen-

dent Wall Street auto analyst,

said that if Mr Kerkorian's pro-

posal were not dead, "it is cer-

tainly in intensive care".

ting financial intermediaries."

nct programmes.

and legal action".

a leveraged bny-out."

IN BRIEF

Hochtief lifts stake in rival

The feud between Germany's two biggest construction companies intensified when Hochtief bought another 4.9 per cent of Philipp Holzmann. The purchase lifts its stake in the larger rival to 24.9 per cent. Page 16

Samsung expects rise as chip sales boom Samsung Electronics, South Korea's largest elec-tronics maker, predicts a net profit of \$2.3bn for 1995, an 86 per cent year-on-year increase due to booming chip sales. Page 18

Strong start for Bayer Bayer became the second of Germany's big three chemicals groups to report strong first-quarter results. The pre-tax result rose 35 per cent to DM1.02bn (\$747.3m) following growth in sales and

price increases. Page 16 Serfin shows 47% decline in first quarter Grupo Financiero Serfin, the financial group which owns Banca Sertin, Mexico's third-largest bank, reported first-quarter earnings of 171m pesos (\$28m), a 47 per cent fall from last year. Page 18

Cerus hit by provision for banking unit Cerus, the French holding company controlled by Italian industrialist Mr Carlo De Benedetti, announced a loss of FFr675m (\$140m) for last year, after exceptional provisions of FFr690m at its banking subsidiary. Page 16

Lion Nathan boosted by demand for beer Lion Nathan, the higgest brewing group in Australia and New Zealand, reported a 14.6 per cent increase in earnings to NZ\$138m (US\$91.89) for the six months to February 28, which directors said was due to an improving Australian beer market and operational efficiencies. Page 18

Eramet more than doubles net income Eramet, the world's biggest producer of ferro-nickel and high-speed steels, saw net income in 1994 more than double, to FFr244m (\$51m) from FFr120m.

Birthday Bank of Scotland advances 67% Bank of Scotland marked Its 300th anniversary by announcing a 67 per cent rise in pre-tax profits from £268.7m to £449.7m (\$725m) in the year to February.

Lloyde buys NatWest global custody arm NatWest Markets, the corporate and investment banking arm of National Westminster Bank, has agreed to sell its global custody business to Lloyds Bank for £16.9m (\$27.2m). Page 20

LDV makes £18.3m for year LDV, formerly known as Leyland Daf Vans, made pre-tax profits of £18.3m in its first full financial year since a management buy-out from the receiver of Daf, the Dutch truck company, in April 1993.

Convenience wins out in Japan Japan's convenience stores emerged as the winners when the country's retailers released their annual sales and earnings. Page 19

21 Lego

Companies in this issue

ABS Robotics

AMP	18 Lloyds Bank
Anhouser-Busch	1a Marion Merreil Dow
BBV	1a Mercedes-Benz
Banco Pop. Espanol	1a Monarch Resources
Banco Santander	1a Musto Explorations
Banco de Chile	7 NatWest
Bank of Scotland	20 North
Bayer	1a Novo Nordisk
Butte Mining	21 Peugeot Citroen
Cerus	1a Philipp Holzmann
Christiania Bank	18 Philips
	Phillips Petroleum
Chromecorp	15 Pitney Bowes
Chrysler	- Hio Algori
Com-Tek	8 SPT Telecom
Electrolux	15 Samsung Electronics
Fanuc Robotics	8 Serfin
General Motors	a Singapore Airlines
Hagemeyer	16 Southern
Hochtlef	16 Stef
Hyogo Bank	16 Tata Group
IOC	16 Tatra
industrias Pacocha	21 Teléfonos de Mexico
	18 Tata - Bassiana

Market Statistic	:8		
Summel reports service Benchmark Govt bords Bond tutures and options Bond prices and yelds Commodities prices Dividends announced, UK EMS currency rates Eurobond prices Freed Interest Indices Bec Bench Bench Benc	26-27 24 24 24 23 20 25 24 24 24 24 24 28 29 20 20 20 20 20 20 20 20 20 20	FT-SE Actuaries indices Foreign exchange Edits prices London share service Managed funds service Money markets New Int bond issues New York share service Recent issues, UK Short-term Int rates US interest rates	30 25 24 26-27 28-29 25 24 32-33 30 25 24
FT Gold Mines Index FT/ISMA Inti bond SvC	24	World Stock Markets	31

18 Uatend Inti

18 Unilever

21 Unisys

Chief price changes yesterday

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Philips more than doubles profit

THE FINANCIAL TIMES LIMITED 1945

Philips, the Dutch electronics group, said yesterday that net profit before extraordi-nary items more than doubled to Fl 54im (\$351m) in the first quarter of 1995 from Fl 250m a year earlier, easily exceeding

most analysts' forecasts. The company also reported an extraordinary gain of Fl 200m, due mainly to the flotation of a minority stake in ASM Lithography, its Dutch-based chip-wafer subsidiary. This boosted total net profit to Fl 744m, a near trebling of earnings com-pared with the 1994 first quarter, when no extraordinary gains were booked.

Sales grew by 13 per cent on a comparable hasis, surprising even Philips. How-ever, Mr Dudley Eustace, finance director, noted that half of this increase was "wiped

■ Sales rise restrained by strong guilder Most sectors contribute to advance

out" by the strength of the guilder against the dollar and a range of other currencies. Overall, group turnover rose by 7 per cent

He attributed the strong performance partly to economic recovery hut also to a changed mentality within the company. He said Philips was now vigorously pursuing growth again after years of concentrat-ing mainly on restructuring in the early 1990s. The change in attitude meant that there was a company-wide "desire to grow

year, citing uncertainties on foreign exchange markets as well as the possibility of higher interest rates, which could

First quarter operating profit was up 35 per cent at Fl 940m. The relatively steeper rise in net profit than operating profit was due to a decline in financing costs, reflecting reduced debts and lower interest rates, and to a fall in the effective tax rate to 20 per cent from 25 per cent

The sales increase came virtually across the business and win", be said.

Mr Eustace cautioned against extrapolating the first quarter results for the full

the board. The only region which did not share in the rise was Africa, a relatively minor part of Philips' global operations, in

Product placement

Leif Johansson

Sales: Skr 5.5bn

Jort ventures
 Subsidianes

terms of product sectors, the only excep-tion to the sharply higher sales trend was professional products and systems, where

turnover was up 1 per cent.

In consumer electronics, sales rose by 8 per cent on a comparable basis, while operating profit surged to Fl 133m from Fl 42m. Among the sector's strongest performers in the first quarter were projection television in North Amorice and the tion television in North America and the car stereo business, which benefited from the recovery in the motor industry.

Philips' components and semiconductor sector saw a 28 per cent surge in sales and a 37 per cent rise in operating to Fl 510m, accounting for more than half of total group operating results. Mr Eustace said Philips saw no signs of any abatement in the industry-wide boom in demand for

Global white goods market

Christopher Brown-Humes examines the appliance maker's global drive

Electrolux plugs into households all over Asia

When he goes to parties, Mr Leif Johansson, Electrolux's chief executive, likes to sneak into the kitchen to check out the bousehold appliances. If he feels Electrolux can offer better models, he informs his hosts, "I have sold many cookers," he enthuses,

This sales effort, though, does not compare with the strategic drive which Electrolux, the world's largest maker of bousehold appliances, has launched in an attempt to make itself truly

Moving beyond its core European and US markets, the Swedish company is seeking to huild up its presence in eastern Europe, Asia, South America, the Middle East and southern Africa. The aim is to double sales in these "new" markets from SK10bn, (\$1.35bn), or 10 per cent of total sales last year, to 20 per cent in as little as three years.

"Many of these markets suddenly, due to political and regulatory changes. giving us opportunities that did not exist a few years ago," says Mr Johansson.

The drive comes at a time when Electrolux

is making good profits again after three recession-hit years and a disposal programme which has focused its operations on three core areas - housebold appliances, commercial appliances and outdoor products. The aim is to increase volumes and make the most of synergies by concentrating on fewer segments in more markets.

Important considerations are the maturity of the group's main European and US markets, with annual growth rates of only 2 to 3 per cent, and the limited scope for enhancing its dominant positions in certain market segments. The group has 25 per cent of the European white goods market, for example, after last year's pur-chase of AEG's Hausgeräte division and it could face competition problems if it tried to expand

Emerging markets, by contrast, offer growth rates of up to 20 per cent a year. This could make them bigger than Europe and the US combined by the turn of the

Mr Johansson says this poten-tial is too hig to ignore. "You will see us making announcements perhaps every month, but at least every quarter, like a string of pearls over the next 20 years." Already this year Electrolux has announced moves to expand its presence in Turkey, Saudl Arabia, India and Singapore, Different approaches are being adopted for different regions and countries, but acquisitions, joint ventures, enhanced marketing, and greenfield site developments are all involved.

The aim in eastern Europe, where sales last year were SKr2.3bn, is to offer similar products and gain the same market shares as in western Europe, via 100 per cent ownership of subsidiarles throughout the region.

The group has set up operations in Russia, Poland, the Czech Republic, Slovakia and the Baltic states and its 1991 purchase of Lehel, Hungary's largest white goods company, has given it a significant manufacturing

In Asia, there is a much greater need to adapt to local conditions. Ownership restrictions in India and China, for

example, virtu-'We are not just ally compel the arriving in an group to work aeroplane and ventures with local partners. saying, now let's In China, the world's fastest go and see where growing market, the market is' the company

already has joint Leif Johansson ventures in com-

pressors, vacnum cleaners, and water purifiers, as part of plans to spend \$100m on five plants in the country over the next three years. in sooth-east Asia, the emphasis is on marketing rather than production, partly because these

markets are too small to justify sizeable investments and partly because of the customs barriers between them. The group has set aside \$50m to promote its products in this region.

Electrolux is broadening its focus on the premium end of the market to serve the emerging Asian middle class, but it is still not penetrating the mass market because of a reluctance to compete with local producers, who can produce basic products more cheaply. It has also been forced to adapt some of its products, such as refrigerators and washing machines, to local conditions

and water availability. According to Mr Lennart Ribohn, who heads the new markets division, Electrolux is prepared to invest up to \$200m annually to bolster its position in

But Electrolux is not going to have things all its own way. It faces strong competition from local manufacturers in India and China, while in south-east Asia. Japanese and Korean groups are highly active.

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It also faces a challenge from global rivals, such as Whirlpool

Peugeot gives design role to British plant

Coventry based Peugeot Talbot is to play an active role in the design and development of future car ranges from Peugeot Citröen, its French parent company. It now only assembles cars.

The decision by Peugeot to involve its wholly-owned UK subsidiary in key development processes is the result of Peugeot Talbot having virtually closed the productivity gap between the UK and French plants, Peugeot Talbot's managing director. Mr Richard Parham, said yesterday. He was speaking as Peugeot Talbot released details of a pre tax profit of £9.5m (\$15.4m) in

1994 from a £10.6m loss in 1993.

The decision has raised expec-

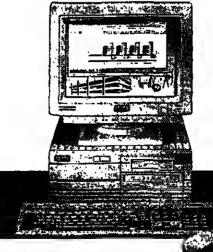
tations that the Ryton plant in central England, which employs 5,500, will be given a second allnew model to produce alongside the 306 range it now huilds. Any entirely new model would be unlikely to be added to Ryton's assembly line before 1998.

Ryton this week has begun production of a saloon version of the 306, the Sedan, which Mr Parham said would increase Ryton's output to nearly 90,000 units this year compared with 75,000 in

Of last year's ontput, 27,000 were exported. Ryton is now the sole source for Peugeot 306 exports to Japan.

Peugeot is to invest a further 2150m at Ryton in the facility during the next five years.

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Japanese deny plan to rescue troubled Kobe bank

By Garard Baker in Tokyo

Japan's finance minister and central bank governor yesterday took the highly unusual step of poblicly denying rumours that they were planning to launch a lifeboat to rescne one of the country's largest regional banks.

Trading in the sbares of Hyogo Bank, based in the earthquakedevastated city of Kobe, was suspended after the publication of a newspaper report that suggested the anthorities were about to save it from collapse.

Bnt speaking from Washington, where they were attending Group of Seven meetings, both men vigorously repudiated the reports. Mr Masayoshi Takemura, finance minister, said: "We know Hyogo Bank's management troubles hat the reported measures are not under consideration." Mr Yasno Matsushita, governor of the Bank of Japan, added: "I bave just

lutely not the case." In Kobe, bowever, Hyogo Bank's president gave a less categorical denial. Mr Masateru Yosbida Said merely: "I know nothing concerning the content's of today's newspaper report. We do not need a bail-ont scheme for

the time being." The flurry of activity followed the publication in Nihon Keizai Shimbun, Japan's leading business daily, of the ontline of a rescue package, including extra capital and soft loans to help the bank cope with its enormous barden of problem loans.

Hvogo Bank, with assets of more than Y3,967bn (\$49bn) is among the world's 200 largest banks. Like most Japanese banks, in the late 1980s it lent heavily to affiliated institutions to enable them to conduct lending secured on Japan's booming property market - an estimated Y1,470bn in Hyogo's case. When property prices collapsed in the early 1990s, the bank was left

with large contingent losses. But it was the Kobe earthquake in January that critically undermined the bank's viability. The damage to largely uninsured property added to the bank's portfolio of non-performing loans and the local population's urgent need for cash for reconstruction led to a draining of

Even before the earthquake, Hyogo was reported to be suffer-ing liquidity problems - it was unable to fund all its loans from deposits. Afterwards, the position deteriorated sharply. Earlier this month the bank

also announced losses of Y15.4bn on security evaluation adjustments as a result of the steep fall in equity prices.

The Nikkei report said the

Bank of Japan and commercial banks, including Sumitomo Bank and Industrial Bank of Japan, would provide a capital infusion of Y100hn, while about Y120hn to offset write-offs would come from the Deposit Insurance Corporation, a scheme funded by commercial banks to protect small-lot deposits.

The authorities are particularly sensitive to such reports at the moment, as they are under heavy fire for their decision to rescue two troubled financial institutions at the end of last

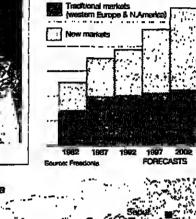
Of the Hyogo report, Mr Mark Faulkner, analyst at S.G. Warburg in Tokyo, said: "This looks to me like a testing of the water. Although there is much opposition to using public funds to sup-port troubled banks, officials may have concluded that the reaction would be different for an institution struck down by an

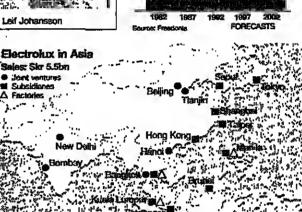
Germany. Whirlpool is huilding up its operations in Asia and Latin America and it recently outbid Electrolux to form a joint venture in India. Electrolux claims it has two hig advantages over rivals: a broader product range, covering everything from chainsaws and lawnmowers to washing machines and dishwashers; and, in Asia, an established infrastructure. "We already have local management teams and logistics, warehousing and invoicing functions," says Mr

arriving in an aeroplane and saying, now let's go and see where the market is." A long tradition of direct sell-

ing in Asia means the company has a platform from which to develop Electrolux hrands. But as the markets mature, the emphasis on direct selling will diminish as the group concentrates on developing retail sales.

Mr Ribohn says it is already on target to become one of the top three suppliers of household goods in south-east Asia by 2000.





Sales growth drives rise at Bayer

Bayer yesterday becama the second of Germany's big three chemicals groups to report strong first-quarter results. The pre-tax figure rose 35 per cent to DM1.02bn (\$747.3m) following growth in sales and price increases.

It said it expected "substantial" sales growth for the rest of the year, and forecast that earnings would improve as the increase in raw material prices was passed on to customers. Mr Manfred Schneider, chief

Stet in race

for holding

By Vincent Boland in Prague

Stet International of Italy bas

made an initial hid of \$950m

for a stake in SPT Telecom, the

Czech Republic's state tele-

phone company for which the

government is seeking a strate-

Stet's offer places it second -

in terms of hid size - nf the

five bidders contesting the international tender for the 27

per cent stake, as the competi-

tinn moves into a second

CeTel, a consortium of

Ameritech and Deutsche Tele-

kom, leads the race with an

offer of \$1.05bm. TeleDanmark

is third with an indicative

Telfar, a consortium group-

ing Bell Atlantic and France

Telecom, has offered \$850m,

while TelSource, which groups PTT Telecom Netherlands and

Swiss Telecom, has bid \$750m,

receive new documents on SPT

in the secood week of May.

They will then have about

three weeks to submit final

offers, but money is not the

The Czech government has

emphasised technological aspects of the bidders' plans

for modernising the country's antiquated phone system.

TeleDanmark's offer is

understood to rate highly in

this category, with Stet in sec-ond place, ahead of CeTel, Tel-

far and TelSource.

The five hidders are due to

opening offer of \$900m.

in Czech

telecoms

gic foreign partner.

By Michael Lindemann in Bonn executive, told shareholders at day picked up again slightly the annual general meeting against the D-Mark. "The comthat pre-tax profits for the full year were likely to rise about 15 per cent to DM3.8bn, from DM3.3bn last year. Turnover is forecast to rise 5 per cent to DM46hn

Bayer joined a chorus of German companies in warning that exports may be dented by the sudden strength of the D-Mark against the dollar. However, it said it was too

early to assess the effects of these currency movements, especially as the dollar yesterpany remains optimistic and sees no reason to alter its plans," Bayer said.

Hoechst, Germany's biggest chemicals group, on Tuesday reported a 94 per cent rise in first-quarter profits to DM984m. BASF, whose shares vesterday rose DM4.30 to close in Frankfurt at DM311, is expected to report first-quarter results this week.

While improved figures last year were being driven by market had also picked up significantly, the company said. Group sales worldwide rose 6 per cent to DM11.7bn.

The improved results were driven by the chemicals businesses, the company said. Sales of polymers rose 15 per cent to DM2.2bn, while turnover of industrial goods climbed 10 per cent to DM2.1bn.

Bayer said capital spending in 1995 is expected to total DM3.5bn, of which DM700m has already been spent.

Advance at Christiania Bank

By Karen Fossli in Oslo

Christiania Bank, Norway's second largest, yesterday reported a jump in first-quarter pre-tax profits to NKr738m (\$119.8m) from NKr383m. The result, which exceeded analysts' expectations, was helped by a NKr285m write-

back of provisions made earlier to cover losses on loans and The first quarter reflected continued growth in the volume of business, and the upturn in the domestic econnmy. Net interest income rose

but non-interest income fell NKr243m to NKr352m. The decline in non-interest

to NKr903m frnm NKr744m.

ties, to NKr5m from NKr126m. and a reduction in foreign exchange gains to NKr61m from NKr89m. Income from associated com-

panies fell to NKr15m from NKr51m, hut last year's figure was particularly high because of an asset disposal.

Operating costs climbed NKr36m to NKr802m, to repre-

sent 2.71 per cent of annualised

total average assets, against 2.63 per cent last year. Operating profit before provisions was reduced to NKr453m from NKr573m, but last year's figure was inflated hy a NKr250m gain nn the dis-posal of Norsk Skibs Hypothek-

Christiania Bank was particularly encouraged by contin-ued development in its loan income was blamed mainly on a sbarp fall in gains on securi-

portfolio. However, it warned that the extraordinarily low level of first-quarter provisions could not be sustained.

Net doubtful commitments at the end of March were NKr2.4bn, down NKr800m on the previous three months. Gross non-performing loans were cut to NKr5.3bn from NKr6.7bn over the period, but at the net level, they rose slightly to NKr2.4bn

The volume of loans rose to NKr95.91bn from NKr82.27bn as the quality of the portfolio improved.

Because of the positive devel-opment in the loan portfolin. Christiania reduced the general allowance for loan losses hy NKr150m to NKr2.51bm or 2.9 per cent of the loans it is

Czech oil row delays cash talks

By Vincent Boland

A dispute between the Czech government and a consortium of international oil companies over valuing the country's oil refining industry is holding up talks on a \$700m investment package for the sector.

The consortium, known as the IOC and which groups Conoco, Shell, Total and Agip, has offered \$180m for 49 per cent of the Czech Republic's two main oil refineries. Kaucuk and Chemopetrol, with a June 30 deadline for agreement. It is committed to share in a \$520m, five-year investment package to modernise them.

The government, however, is insisting that the stake is worth much more. The industry ministry, which is leading the Czech side in negotiations on privatisation of the refineries, has not given a figure for the new valuation, but it could be \$50m higher, IOC officials declined to comment.

The ministry said earlier this week that progress had been made in talks on the deal. including on the issue of environmental liabilities. It said both sides were committed to reaching a framework agreement that would allow the investment to proceed.

The new snag means both sides will probably need to make further compromises if The IOC's exclusive negotiating rights on the acquisition

which began early last year, have already been delayed several times, most seriously hy a dispute over future control of the refineries. Unipetrol, the holding com-

is to retain 51 per cent for at least five years, until the investment plan has been implemented. The sale of the refineries to

of the refineries expire at the end of June. Issues including transfer pricing and the financing of the investment package are not yet fully resolved. The marathon negotiations,

pany for the refineries' assets

the foreign consortium has met with flerce opposition from some Czech investors.

Cerus hit by provision for banking subsidiary

By John Ridding in Paris

Cerus, the French holding company controlled by Italian industrialist Mr Carlo de Benedetti, yesterday announced a loss of FFr675m (\$140m) for last year, after exceptional provisions of FFr680m at its

banking subsidiary.
It said the loss, which compares with a deficit of
FFr251m in 1993, reflected a strategic decision to cleanse the balance sheet at Banque Duménil Leblé. It said tough measures at the banking division would allow a return to profit for the group this year.

The banking division, which has been hit by the downturn in the property market, suffered a loss of FFr800m, including the exceptional provisions. According to Cerus, however, risks at the banking unit are now "negligible". Elsewhere, the holding com-

pany announced healthy progress. "[Last year] was marked hy a very strong profits increase in the industrial subsidiaries of the group," Cerus said. Its earnings from Valeo, the French automotive components company in which Cerus holds a 28 per cent stake, rose to FFr246m from FFr206m.

Cofir, which groups Cerus's Spanish operations, and Cofinec, which covers its central European activities, also saw gains. They added FFr27m and FFr6m, respectively, to group profits.

Duménil Leblé's problems are typical of husinesses exposed to the French prop-erty sector. Yesterday, GAN, the state-owned insurer, announced losses of FFr5.3bn, mainly blamed on property. Cerus has been seeking to

sell its banking subsidiary, hut has so far failed to find a buyer. The company indicated yesterday it was no longer searching for hnyers, although withdrawal from the banking sector remained an objective. The group plans a capital

injection at Duménil Leblé, aimed at raising its solvency margin to 8 per cent. Net debts at the group stand at FFr380m. compared with sharebulders' funds of FFr3.84bn. GAN shrugs off losses, page 17

Hochtief boosts stake in bigger rivel 40 24 000 bigger rival to 24.9%

The feud between Germany's two biggest construction companies intensified vesterday when Hochtief bought another 4.9 per cent of Philipp Holzmann. The purchase lifts its stake in the larger rival to 24.9 per cent.

Essen-based Hochtief bought the shares from Commerzbank. Germany's third biggest bank. for an undisclosed sum.

However, the bigger staka still does not give Hochtief the control over Philipp Holzmann it vowed to achieve last September when it bought Holzmann shares from other German banks.

The tussle between the two companies has since become one of the most controversial

company It wants the two man market. Hochtief has groups to co-ordinate their resources in bidding for international contracts, where they often lacs competition from larger international groups. Holzmann has tried to fight

off the challenges by arguing that competition in Germany would be hurt if Hochtief won control, as it is 56 per centowned hy RWE, Germany's sixth biggest company with interests in electricity and a variety of other sectors.

Hochtief says it needs between 35 and 40 per cent of Holzmann to control the voting at shareholder meetings. Its attempts, however, were blocked in January by the Ger-

Hochtief says it does not which said control of Holz want to merge with Holzmann, mann would give Hochtief a dominant position in the Gerappealed against the ruling, but a judgment is not expected at least until the beginning of next year, the company said

Hochtief has been talking to BfG Bank, a subsidiary of Credit Lyonnais, the troubled French banking group, in the hope of buying its 10 per cent Holzmann holding if the company wins its appeal against the anti-trust authorities.

Holzmann's largest single shareholder, with 25.9 per cent, is Deutsche Bank, Germany's higgest. While it has a general policy of scaling down its shareholdings in industrial companies, it has refused to say whether it would sell its Holzmann shares.

Banco Santander declines 5.7%

By David White in Madrid

Banco Santander, the leading Spanish hanking group in terms of assets, reported a 5.7 per cent drop in consolidated net profit in the first quarter, to Pta23.15hn (\$189.4m) compared with Pta24.55bn in the

same period last year.
It said its 1994 takeover of Banco Español de Crédito (Banesto) did not affect profits as much as expected. The bank confirmed it was ahead of schedule in its four-year plan to achieve a positive return on the purchase.

that results for the rest of the year would compare more favourably with last year's, and announced an interim dividend for 1995 of Pta63 a share, 5 per cent up on its payout at

the same stage last year.

The negative impact of the Banesto takeover on attribut able profits for the quarter was: put at Pta3.9bn. This means. that without Banesto, attributable group profits would have risen 4.3 par cent to to Pta21.54bn instead of falling, as they did, by 14.5 per cent to Pta17.64hn.

cent higher than a year ago. Quarterly results from other Spanish banks have been mixed. Banco Bilbao Vizcaya. reported a 17.4 per cent increase in attributable net profit to Pta16.61bn. Group earnings before tax were 27.4 per cent up at Pta37.02bn, with a 6.5 per cent increase in lending and a 9.2 per cent growth

in deposits. Banco Popular Español, meanwhile, showed a 2.1 per cent fall in attributable earnings, to Pta13.64bn, compared with the same quarter last the purchase.

Total lending, excluding at year. The figure was, however, Banesto, was 3.9 per, cent up 1.1 per cent up on the previous and clients' deposits, 11.8 per quarter's Pta13.49bn.

Hagemeyer to buy German group

By Ronald van de Krol in Amsterdam

Hagemeyer, the Dutch-hased

trading group, said yesterday that it intends to acquire Fröschl Augsburg, a German supplier of electrotechnical

Fröschl operates 13 outlets in and around Angsburg, southern Germany, and generates annual saies equivalent to

Fl 230m (\$148m). The shares will be acquired from the Froschl family. No financial details were dis-

The transaction completes Hagemeyer's takeover of all ... In January it announced the the electrotechnical distribution companies operating

under the Froschi name. Hagemeyer owns 76.7 per cent of Froschi, which has a strong base in southern Germany and a growing presence in east Germany and eastern

policy of expanding in European electrotechnical distribu-

acquisition of an initial 25 per Austrian company in the sector, and said it planned to assume majority control later.

The Augsburg, acquisition will take Hagemeyer's annual sales in electrotechnical mate-Hagemeyer's involvement in rials to aimost F13bn.



The Vinten Group

Acquisition of Sachtler AG for £70 million

S.G. Warburg Securities Ltd. initiated this transaction and acted as joint underwriter of the associated Placing and Open Offer for £33.6 million

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FLEMING FLAGSHIP FUND Société d'Investissement à Copital Variable European Bank & Business Centre, 6, route de Trèvés L-2033 Senningerlerg, Grand Ducky of Luxembourg R.C. Luxembourg No. B 8478

The shareholders of FLEMING FLAGSHIP FUND ("the Company") are hereby convened to an

Extraordinary General Meeting to be held on Monday 15 May 1995, at 14.30 hours at the registered office of the Company, European

Bank & Business Centre, 6, route de Trèves, L-2633 Senningerberg, with the following ageoda: I. To amend and complete Article 21 of the Articles of Association, to permit the board of directors to extend the period for repayment of redemption proceeds, to such period not exceeding 50 business days, as may be required due to prevailing coordinass in certain markets in which future classes of

days, as may be required due to prevailing cooditions in certain markets in which future classes of the Company may invest.

2. To amend Article 4, first paragraph, seemed sentence of the Articles of Association by adding the word "subsidiaries" after "Branches".

3. To complete Article 16 of the Articles of the Association by adding the following paragraph: "Investments of the Company may be made either directly in iodirectly through subsidiaries, as the board of directors may from time to time decide. Reference in these articles to "investments" and "assets shall mean, as appropriate, either investments made and assets beneficially held directly investments made and assets beneficially held indirectly through the aforesaid subsidiaries.

4. To complete Article 22 of the Articles of Association by adding the following paragraph as pentilomate paragraph: "(vii) while the net asset value of any subsidiary of the Company may not be determined accurately."

Sharehulders are advised that for this meeting to deliberate validly a quorum of 50% of all shares in issue is required and that the resolutions will be adopted by two-thirds majority vote of the shares

In order to be entided to attend the meeting, holders of bearer shares must deposit their bearer share certificates seven days prior to the meeting with the following institution:

Kredietbank S.A. Luxembourgeoise, 43, boulevard Royal L-2955 Luxembourg, Grand Duchy of Luxembourg Shareholders who cannot personally attend the meeting may at any time act by proxy using the prescribed form of proxy (available at the registered office of the Company) and return it at least seven working days prior to the date of the Extraordinary Shareholders' meeting to the Company, c/o Fleming Fund Management (Luxembourg) S.A., L-2888 Luxembourg.

By Order of The Board of Directors: HENRY C. KELLY, April 1995

FLEMINGS

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

US \$500,000,000 Rate Notes Due 1996 Notice is hereby given that the

rate of interest for the period 24th April 1995 to 24th July 1995 has been fixed at 6" per cent. Interest will amount to US \$157.99 per US \$10,000 Note. US \$1.579.86 per US \$100,000 Note and US \$15.798.61 per US \$1,000,000 Note, and will be payable on 24th July 1995

Daeduck Electronics Co., Ltd. (Incorporated in the Republic of Korea with limited liability)
(the "Company") U.S. \$20,000,000 0.25 per cent. Convertible Bonds 2004

Notice to Bondholders

Pursuant to provision 6(B) of the Trust Deed dated 31st May, 1994, constituting the Bonds, notice is hereby given as follows: A Stock Dividend to increase the Company's paid-in capital was authorised by a resolution of the Board of Directors of the Company passed on 15th December, 1994 as follows:

Record date: 31st December, 1994 The Stock Dividend ratio was 3.0% of paid-in capital Number of shares to be issued: Number of shares to be issued:
Number of common shares to be increased by 67.752
Conversion price has been adjusted from 47,034 to 45,838
(Pursuant to the provisions of the Trust Deed, effective retros

nediately after the record date) The schedule of the Stock Dividend was submitted to the Shareholder's Meeting which was held on 17th March, 1995, and it was passed during the meeting as the Company's original Intention without material objections from the shareholders.

Bankers Trust Company, London 27th April, 1995

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Republic of Poland

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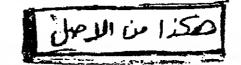
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Collecterelised Discourt Bends
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Notice is hereby given that the Rote of Interest for the Interest Period

April 27, 1995 to October 27, 1995 has been fixed at 7,125% and that
the Interest poyobte on the relevant Interest Payment Date October 27,

1995 for the Interest period will be US\$36.22 in respect of US\$1,000 By: Cifibank, N.A. (Issuer Services), Agent Bank CITIBANCE



FINANCIAL TIMES THURSDAY APRIL 27 1995

INTERNATIONAL COMPANIES AND FINANCE

GAN shrugs off losses on the path to privatisation

State-controlled French insurer plans disposals, tighter controls and management shake-up ahead of sell-off

late 1996 or early 1997.
The group's losses were higher than expected,

but had little affect on the share price because

tal gains to FFr2.4bn last year, from FFr3.6bn.

of FFr1.27bn compared with a loss in 1993 of

FFr993m. Life assurance profits in France (ell to FFr827m from FFr3.64bn and profits from

foreign insurance business rose to FFr140m

from FFr65m. The board recommended there

Mr Bonnaud pledged to reduce costs at the

should be no dividend.

Among the divisions, non-life reported a loss

r Jean-Jacques Bon-nand, the chairman of GAN, is uncompromising about his company's future: "We've dealt with the past, and now we want to concentrate on the inture."

FALL BEAUTY

to 24.9%

er declines 5.79

emeral Meeting 🧖

These are bold statements for an insurance group that has just reported unexpectedly large losses of FFr5.3hn (\$1.1bn), demanded a FFr2.8bn capital injection from the French government and still intends to be in shape for privatisation next year.

Yet he is optimistic that the steps necessary to ensure GAN's financial recovery are in place. "Our objective remains privatisation as soon as possible. Our target is to come back clearly to profits in 1996," he says.

Ironically, most of the group's 1994 losses, unveiled yesterday, had little to do with its core insurance businesses. Most related to the investment activity that has bettered the results of so many French financial institutions over the past few months: the property

parket. Two years ago, GAN
For GAN, the problems restructured its holding taking argely came as a result of its
UIC into direct ownership. As largely came as a result of its investment in CIC, a retail bank. It acquired a minority stake in the bank in 1985 and took control under pressure

Property provisions behind FFr5.3bn deficit state agreed, the group could be privatised by

Substantial provisions helped drive Groupe des Assurances Nationales, tha French state-con-trolled insurance group, to a deficit of FFr5.3bn for 1994. In 1993 the groop made a profit of

FFr414m, writes Andrew Jack in Paris. GAN announced new provisions against property losses and financial restructuring of FFr5.7hn. on top of provisions last year of FFr3.4bn, and confirmed details of a recapitalisation agreed with the French state in March.

Under the terms of the plan, the state gives the group shares it owns in Elf, the petroleum company, and in CIC, a bank controlled by GAN, totalling FFr2.8bn. In exchange it receives newly-issued GAN shares which increase its stake to 80.47 per cent, from 75.9

Mr Jean-Jacques Bonnand, chairman, warned that GAN was likely to report further losses for the current year but said the group would return to profitability in 1996. He said if the

from the government - its

CIC in turn owned a subsidiary

called UIC, which specialised in property loans. This is

where most of the difficulties

the property market grew

worse last year, it hived off FFr18.9bn in the subsidiary's

have emerged.

Late last year, Mr Bonnaud majority shareholder -- in 1990. took personal charge of the reorganisation and instituted a

special audit which showed the situation had deteriorated still

GAN has made provisions against property of FFr5.7bn. This includes a fresh FFr3.1bn against UIC's loans, with the remainder at group level to cover other property loans and a financial restructuring. "We are now immunised against

company by 10 per cent over the next three future losses except for a hig

deterioration in the price of

property or from legal

actions," he says.
The loss at UIC forced GAN to recapitalise the subsidiary with a transfer of its own shares. This in turn created a bole in the parent company which is being filled by the French government, with about FFr2bn-worth of state-owned shares in Elf, the oil company, and the late 1996 or early 1997. It is

they had been partly anticipated.

GAN reported a 15 per cent decline in turnover to FFr131.3bn, largely due to a drop in banking income from its CIC affiliate as a result of falling interest rates and market activities. The group posted a strong decline in capi-

remainder from the state's

is not a financial rescue akin

to the state's recent support to

to cover our losses. We are not

"We have no state guarantee

Mr Bonnaud maintains this

esidual holding in CIC.

Crédit Lyonnais.

in the position of a company that demands money," he says. He argues that GAN "could live" without a recapitalisation but needs one if it is to be privatised soon. He adds that he helieves heing in state hands is a disadvantage. hecause the company could otherwise seek a rights issue to help secure its future. "We have no power to

horrow or issue shares," he says. "Privatisation is one of the ways for us to gain equality of competition."

In the sbort-term, he says GAN is likely to make another loss for 1995 - prohably of several hundred million francs - before returning to profit in

"It depends on the capital gain," he says. "It is likely that, if the financial markets remain where they are, 1995 will unfortunately be in

While saying it is still "a little premature", he expects privatisation to take place by



Jean-Jacques Bonnand: target is a return to profits in 1996

likely to take a typically French form, with perhaps 20 per cent of the shareholding being taken hy several large, strategic investors.

But can Mr Bonnaud give reassurance that GAN will recover in the meantime?

First, he points to a programme of asset disposals over the coming months, although he will not say what is for sale. He intends to cut costs by 10 per cent over the

three years and insists there will be no need for

More qualitatively, he talks about tightened risk assessment procedures, hoth for the mainstream insurance business and for the assessment of new loans in GAN's banking subsidiaries. He adds that the policy of decentralised decision-making

should begin to bear fruit. We have refined the management structures. We are nearer to the client and the market now. Before, too much was done in Paris. If you consolidate everything you

which he started last year

don't see anything. That leaves one of the most fundamental issues facing all French insurers: oegotiations with the group's network of insurance sales agents, who work on commission and whose operation restricts the development of direct marketing by mail or

Mr Bonnaud concedes there will "probably" have to he a cut in their number, but is keener to stress the need for "discussion" and a need to redistribute the network more efficiently around the country.

Autoliv profits soar to SKr247m in first term

By Christopher Brown-Humes

Shares in Antoliv, Ecrope's leading sopplier of car safety equipment, rose 6 per cent yes-terday to Skr325 after the group announced unexpectedly strong first-quarter prof-

its of SKr247m (\$33.6m). The result compares with a SKr91m profit io the same 1994 period.

A 36 per cent rise in sales to SKr2.7bn was driven by a sharp increase in demand for airbags. The group benefited from the launch of a safety belt system, enabling it to lift market share. Sales of airbags rose 51 per cent to SKr1.3bn. Mr Gnnnar Bark, group

president, said the company should be able to grow in line with an expected 15 per cent increase in world car safety equipment demand. The group has 45 per cent of the European market and around 20 per cent of the world market. Autoliv was last year sold to international iovestors by Electrolux, the world's leading mannfacturer of honsehold

appliance. Its sbares bave

soared from a SKr180 issue

Andrew Jack price.

Eramet more than doubles net income

By Kenneth Gooding, Mining Correspondent, in Paris

Eramet, the world's biggest producer of ferro-nickel and high-speed steels, saw net income in 1994 more than douhle, to FFr244m (\$51m) from

Mr Yves Rambaud, chairman, said the improvement sprang mainly from stringent cost controls and increased business activity, particularly for high-speed steels, rather than from price increases.

The group's performance in the first quarter of 1995 remained very strong, he said, so that net income before exceptional items and taxes for the first half would be "significantly higher" than the FFr134m for the same months

Mr Ramhaud expected demand to hold up well in the second half but said the financial outcome would depend on changes in metal prices and exchange rates, particularly

He pointed out that each 10 the year-end, to FFr902m.

By Bernard Simon in Toronto

Trizec, the North American

property developer, has expressed cautious optimism as the market improves and the flow of new capital to the property industry picks up.

However, the Toronto-based company, which emerged from

a restructuring last year, has been hurt in recent months by

higher interest rates. It has

sold another six properties and refinanced several others to lighten its US\$2.2bn debt bur-

Net earnings were \$10.1m, or

9.3 cents a share, in tha three months to March 31. Rental

income from 78 office build-

properties in the US and Can-

centimes change in the value of the franc against the dollar resulted in a FFr20m change to Eramet's net annual income and cash flow. Each 10 US cent a pound change in the nickel price caused a FFr40m fluctua-

tion in income and cash flow. Eramet proposes to lift its dividend payment, including from FFr6.9.

The group's 1994 turnover increased 25 per cent to FFr3.282bn, Net income hefore changes in accounting practices rose 64 per cent to FFr97m. The accounting changes, which increased net income by FFr47m, were made on the advice of auditors who insisted the board was too cautious at the time the group was floated on the Paris stock exchange last autumn. The group expects to move from the second to the first market

Operating cash improved 28 per cent last year to FFr455m to give a 9 per cent rise in the net cash balance at

ada was \$71.3m on revenues of

Comparisons with earlier

periods are meaningless because of last year's restruct-uring, which included a revalu-

ation of Trizec's property port-

The company has switched its accounts from Canadian to

It said shopping centre occu-

that a "slow recovery" was tak-

ing place in the office market, with a declining level of tenant

Higher interest rates cut cash flow from operations by

about \$2m in the first quarter

But a series of interest rate hedges reduced floating rate debt to 25 per cent of the total.

US dollars.

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Portugal bank sale agreed

Trizec optimistic as

market improves

By Peter Wise in Lisbon

Mr António Champalimaud, a 77-year-old Portuguese industrialist, yesterday bought 50 per cent of Banco Totta e Acores, Portugal's third largest hank, for Es153hn (\$1.06bn), crowning the re-acquisition of a husiness empire that was nationalised in 1975. Mr Champalimaud, who has

re-established himself as Portu-gal's richest man after most of his assets were seized by a left-wing government, bought the holding from Banco Español de Crédito (Banesto), the Spanish bank, and two Porese associates.

The two sides reached agreement yesterday on the detailed signed in December.

USD 100,000,000 KANSALLIS OSAKE PANKKI

Subordinated Floating Rate Notes due July 1997 6.4375% p.s.

USD 10,000 USD 162.73 USD 250,000 USD 4,068.14 BANQUE GÉNÉRALE. DU LUXEMBOURG



to October 27, 1895 and 18875% per annum. The amount payable on October 27, 1995 per U.S. \$1,000, U.S. \$10,000 and U.S. \$100,000 principal amount of Notes will be U.S. \$21.29, U.S. \$212.86 and U.S. \$2.128.65

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INTERNATIONAL COMPANIES AND FINANCE

S Korean group sees \$2.3bn profit as chip sales soar

Samsung Electronics, South according to industry analysts. Kores's largest electronics maker, yesterday predicted a net profit of \$2.3bn for 1995, an 86 per cent year-on-year increase due to booming chip sales for the global personal computer market, Renter reports from Seoul.

The company, one of the world's leading producers of memory chips, recorded net profits of Won945bn (\$1.25bn) Won11,300bn. The company's other main products include consumer electronics, telecommunications equipment and personal computers.

This year the company expects to earn Won1,760bu in net profits on sales of Won14,000bn, it said in a brief-

ing to investors in Seoul.

The shares reacted to the forecast with a Won7,000 rise to Won128,000 on the Seoul bourse, before retreating to Won123.000 by the close.

Semiconductor sales accounted for about one-third of revenues and more than 70 per cent of profits last year, Seventy per cent of the company's semiconductor sales were D.Ram (dynamic random access memory) chips, the primary data storage devices used in all types of computers.

Driven by strong demand from the personal computer industry, which consumes over half of the world's supply of D-Rams, the D-Ram market grew by 69 per cent to approximately \$23bn last year, according to Integrated Circuit Engineering, a US market research company. World sales this year are expected to reach \$25bn.

Market analysts say Samsung Electronics has heen belped to compete against its Japanese rivals by the rise in the yen against the dollar and also by an end to a price war for electronics products on the domestic market.

The company said this week it had developed a new type of 16 megabit D-rams by adopting silicon on insulation technology, which gives greater integration and lower power con-

Severence costs cut Phillips to \$111m

By Maggie Urry in New York

Phillips Petroleum followed the trend of other US oil companies in the first quarter, as strong profit growth from upstream and chemicals activities was partly offset by weakness in the refining and marketing business.

Operating net Income rose to \$121m from \$109m in the quarter. However, special items reversed the trend with group net income lower at \$111m compared with \$127m. in the 1995 first quarter there was a \$10m charge for severance costs and other contingencies, were 31 per cent down.

while in the comparable period there was a \$18m gain from the sale of a polypropylene licence. Earnings per sbare on this basis were 43 cents against 49

Higher sales volumes of oil and gas, and increased crude oil prices raised profits from exploration and production. Crude oil production was up 9 per cent and natural gas production increased by 6 per

Worldwide crude oil prices were 27 per cent higher than at the same time last year. although US natural gas prices

boosted by improving beer market

Linn Nathan, the biggest brewing grnup in Australia and New Zealand, yesterday reported a 14.6 per cent increase in earninga to NZ\$136m (US\$91.9m) for the six months to February 28, which directors said was dne to an improving Australlan beer market and operational efficiencies.

Sales revenne fell 0.4 per cent to NZ\$1.37bn and it is proposed to lift the interim dividend to 8 cents from 7.5 cents. Linn Nathan's brands Incinde Steinlager, Castlemaine XXXX, Tnnhey's and Swan.

Mr Dnuglas Myers, chief executive, said that after a two-year study, the group was expanding into the Yangtse River Delta area nf China. It had acquired a 60 per cent

interest in the inint venture which owned the Taihushni Brewery in the city of Wuxi fnr NZ\$21.6m, and was cnntinuing discussions to build a brewery at nearby Suzhon.

Lion Nathan wnnld have management control of the Taihnshni Brewery, which produces 60m litres of beer a year. It is buying the interest from a Singaporean investor.

Mr Myera said beer consumpting was rising rapidly in China, with per capita drinking rising by 15 to 20 per cent each year since 1990. "However, consumption is law by western standards. The average drinker in the Yangtse Delta area drinks nnly 20 litres nf beer a bead, about a fifth as much as New Zealanders or Australians.

Mr Myers said the profit had been affected by the recent sharp appreciation of the New Zealand dollar against the Australian currency. "We gen-erate 75 per cent nf earnings from Anstralla; bad the exchange rate been unchanged we would have reported a 20.6 per cent higher profit."



ERAMET Group 1994 results

Improvement in results is confirmed Increase in dividend

The Board of Directors of Eramet, met on April 25, 1995 under the chairmanship of Mr Yves Ramband to review the 1994 accounts which will be presented to the Shareholders' General Meeting of June 8, 1995.

The main consolidated results of the Group can be sur	mmarised as follows:		
millions of French francs	Year 1994	Year 1993	Change
Turnovei	3,282	2.629	+ 25%
Result before exceptional items and taxes	361	43	x 8.5
Net tesult (Group share]*,			
before changes in accounting principles	197	120	+64%
Net result (Group share)			
i.e. after minority interests	244	120	+ 103%
Operating cash-0ow	455	356	+ 28%
of which nickel branch	258	281	- 8%
of which high speed steels branch	197	75	+ 163%
Shareholders' equity	3,621	3,424	+ 6%
Net cash balance (net of financial debt)	902	826	+ 9%
French francs per share (taking into account the sp General Meeting of June 15, 1994).	lit by 5 of par value as de	cided by the S	hareholder
Net result (Group share)	13.12*	8.22	+ 60%
before changes in accounting principles			
Dividend (before tax credit)	5.40*	4.60	+ 17%
on the basis of 15,013,376 shares			

The recovery in activity and the large capital expenditures carried out over the past few years has led to an improvement in the Group's industrial, marketing and financial performance in 1994.

Consolidated turnover increased by 25% in 1994. Using an identical basis of consolidation, the rise was 17%. Nickel deliveries increased by 11% to 51.623 metric tons and high speed steels deliveries increased by 24% to 22,982 metric tons, compared with 46,311 metric tons and 18,572 metric tons in 1993. However, sale prices expressed in French francs did not change much.

The acquisition of a majority share in the capital of Eurotungstene Poudres allowed a widening of the Group's activity in the field of metal powders.

Net result (Group share) before changes in accounting principles increased by 64% to reach FRF 197 million. To this result is added, as announced at the Inidal Public Offering, an extraordinary profit of FRF 47 million This extraordinary profit due to changes in accounting principles implemented upon the advice of the COB, and in agreement with the Auditors raised the net result (Group share) to FRF 244 million, ie more than double compared to 1993.

Operating cash-flow at FRF 455 million, up by 28% largely covered capital expenditure which decreased by 35%, due to the completion of the investment programme launched in 1989 in New Caledonia, and in particular, the start up of the new Nepoui-Kopeto mine.

Shareholders' equity increased to FRF 3,621 million and the net cash balance to FRF 902 million. With a strengthened financial structure the Group is in a position to continue its development.

Eramet (parent company) The net result of Société Eramet reached FRF 198 million against FRF 183 million in 1993.

complete, all conditions precedent having been waived) the share capital of Eramet is henceforth divided into 15,013,376 shares of FRF 20 par value.

A net dividend of FRF 5.40 per share, ie FRF 8.10 per share including tax credit, 17% higher than in 1993, will be proposed by the Board of Directors to the Shareholders' General Meeting.

Further to the increase of Eramet's share capital which related to the acquisition of Société Cofremmi (now

The Board of Directors will also propose to the General Meeting to ratify the appointment of Mr Philippe Pontet as a Director, and to appoint four new Directors; Mr Michel Freyche, Mr George T Lowy, Mr Stig Ramel and Mr Wilhelm Scheider.

Activity during the first months of 1995 remained very strong in both branches of the Group. Productions and deliveries increased. Sales prices in French francs during the first quarter have been higher than during the

same period of 1994, despite monetary fluctuations. During the 1st Quarter 1995, consolidated turnover (on an unchanged basis of consolidation) reached FRF 1.067 million, an increase of 51% compared to the 1st Quarter 1994 (FRF 815.7 million), of which nickel

accounted for FRF 690.5 million (+24%) and high speed steels FRF 376.5 million (+45%). On the present basis, the 1st half 1995 accounts should reflect a further improvement in the net result before exceptional items and taxes, as compared with 1st half 1994, to which will be added various exceptional results. During the second half, activity should hold up well but financial results will depend upon changes in metal

prices and exchange rates, in particular the US dollar. The Board of Directors has also confirmed its intention to raise the capacity of the mining and metallurgical

facilities of SLN to more than 60,000 metric tons per year. For information: Alain Ray ERAMET (Paris), Tel: 33.1.45.38.42.02.

Lion Nathan | Serfin shows 47% decline in first quarter

By Leslie Crawford in Mexico City

Grupo Financiero Serfin, the financial group which owns Banca Serfin, Mexico's thirdlargest bank, reported firstquarter earnings of 171m pesos (\$28m), 8 47 per cent fall on the same period last year.

The group attributed the decline to the low profitability of its troubled bank, losses at its brokerage house (the stock market crashed following December's devaluation of the peso) and lower earnings from leasing and factoring.

earnings of 208m pesos for the first quarter, 15.4 per cent lower than last year. The results would have been worse but for the bank's request for 3.2bn pesos of emergency funds from Mexico's central bank to shore up capital and reserves.

Under a rescue plan devised by the Bank of Mexico, domestic banks which risk technical insolvency can access central bank funds for a period of up to five years. Banks which enter the scheme must maintain their capitalisation ratios above 9 per cent, accept restric-

Banca Serfin reported net tions on new lending, and are not allowed to pay dividends. Banca Serfin, whose nonperforming loans have increased by 83 per cent in the

past year to 11.3bn pesos, or 12 per cent of its total loan portfolio, is the largest of several banks which have entered the Bank of Mexico's rescue

Banca Serfin said its capitalisation ratio stood at 9.9 per cent, while loan loss provisions equalled 60 per cent of its pastdue loans · the minimum requirement set by banking

"The difficult economic environment has led to an increase in loan defeults among our customers," Banca Serfin said. "We are currently restructuring the credits of small and medium-sized businesses to allow Banca Serfin to reduce

its non-performing assets." Banking analysts, however, nd they expected Banca Serfin'a results would deteriorate over the next six months as problem loans grew with Mexico's deepening recession.

"Serfin was able to set aside 2.4bn pesos in loan-loss provisions in the first quarter

central bank rescue scheme," says Mr Carlos Diaz-Llado, of the Spanish consultancy Grupo Moneda in Mexico City. "In the coming months it will not have sufficient earnings to meet an expected increase in loan defaults."

We DIGEST

"The worst is yet to come for the banking sector as a whole," says Mr Petru Vaduva, a bank ing analyst with Bear Steams. Although the restructuring of debts may temporarily hide problems, the issue of mount ing past-due loans is far from being resolved."

NEWS DIGEST

Anheuser posts 6% first-quarter rise to \$216.1m

Anheuser-Busch, the higgest US brewer, increased net income by 6 per cent to \$216.1m in the first quarter, continuing the trend of sluggish profits growth that has characterised its recent performance, writes Richard Tom-kins in New York. But earnings per share, boosted by heavy stock repurchases, rose by 9 per cent to 83 cents.

Beer sales rose by 115,000 barreis to 20.4m in the quarter, an increase of 0.6 per cent, Anheuser-Busch said this and stronger sales hy its packaging subsidiaries were the main factors behind a 5 per cent increase in net revenues to \$2.8bn.

The growth in beer volumes was adversely affected by the fact that wholesalers built up stocks in last year's first quarter in anticipation of national labour contract negotiations. Continued double-digit growth from Bud Lite and a stabilisation in sales of Budweiser were offset by a decline in sales of Ice Draft, Anheuser-Busch said, But the company also said it had succeeded in reversing a tendency among US consumers to trade down to cheaper beers, and sales trends for the company's premium brands had improved.

Camphell Taggart, the company's baking and food products subsidiary, recovered from its poor performance last year and Anheuser-Busch said it expected the subsidiary's operating profits to improve significantly this year.

Lego warns 1995 will be another tough year

Lego, the maker of toy construction kits, suffered a fall in pre-tax profits to DKr697m (\$129.6m) in 1994, down from DKr795m in 1993. writes Hilary Barnes in Copenhagen.

The company warned that the weak dollar and strong European currencies would make 1995 another tough year, when profits might

Last year saw sales in North America fall by 8 per cent, the first decline after 17 years of growth, said the group. The US is Lego's second largest market after Germany.

Lego is family-owned and not listed on any stock exchange. Turnover in the group companies for which accounts are published increased by S per cent to Dkr5.70bn from Dkr5.29bn, but total group sales increased by only 3 per cent, compared with 13 per cent in

Novo Nordisk says it may not meet forecasts

Adverse currency movements may prevent Novo Nordisk, the health care and industrial enzymes group, from achieving its forecast growth in sales and profits for 1995, the annual meeting of shareholders was told, writes Hilary Barnes.

A forecast increase of 10 per cent in sales this year, made when the annual accounts were published, assumed that the exchange rates for invoicing currencies would stabilise at the level of the first two months of the year. But, said Mr Vagn Andersen, supervisory board chairman, the average value of the currencies in which Novo Nordisk invoices has fallen by 2 per cent since then.

Marion Merrell Dow shows improvement

buy, raised underlying net earnings by 44 per cent to \$124m, or 44 cents a ahare, in the first quarter, writes Tony Jackson. This was before a previously announced charge of \$49m relat-

ing to an acquisition.

The companies said talks over the acquisttion of Marion Merrell Dow at \$25.75 a share were continuing, and cautioned that there was no assurance a deal would be reached.

AMP result in line with expectations

AMP, the world's biggest manufacturer of electrical connectors, matched expectations with a 32 per cent jump in earnings in the first quar-ter to \$105m, or 50 cents a share, writes Tony Jackson, Sales rose 33 per cent in dollar terms to \$1.2bn. In local currencies, sales in Europe rose 36 per cent, in Asia-Pacific 27 per cent and

in the US 16 per cent. AMP said it expected full-year sales of about \$5bn, compared with last year's \$4bn, and earnings of more than \$2 per share compared with last year's \$1.76.

Southam shareholders may raise stakes

Southam Share price (CS)

The two biggest share-holders of Sontham. Canada's biggest newspaper chain, may now raise their interests following modification of the company's "poison pill" plan, writes Robert Gibbens in Montreal. Mr Paul Desmarais, who controls an international financial services, communications and industrial empire through Power

Corp of Canada, said after Southam's annual meeting that he may increase his holding beyond the present 21.4 Mr Conrad Black, with 19.4 per cent through

his Hollinger publishing group, said: "Sou-Southam's shareholders agreed to end the company's shareholder rights plan set up in 1990 to make a hostile takeover bid difficult.

Jyske Bank ahead in first term

lifted first quarter pre-tax profits to DKr148m, an increase of DKr10m on the first quarter of last year, writes Hilary Barnes. Financial income advanced to DKr654m from

DKr579m last year. The bank's loss provisions were reduced to DKr51m from DKr81m, but It took an unrealised loss on the value of capital in associated companies of DKr95m, compared with a small loss last year of DKr16m.

The oank said that demand for credit

remained extremely slow, but it nevertheless expects profits for the year, before unrealised losses or gains on securities, tax and extraordinary items, will be between DKr400-DKr600m. This is in line with earlier forecasts, but down from DKr730m earned in 1994.

Pitney Bowes sale

Pitney Bowes, which makes equipment for post rooms, has agreed the \$450m sale of its Dictaphone husiness which it put up for sale last September, writes Maggie Urry. The buyer is Stonington Partners, an investment firm which runs a leveraged buy-out fund. The Marion Merrell Dow, the US drug company deal is expected to be completed in July which Hoechst of Germany is negotiating to will give Pitney Bowes an after-tax gain. deal is expected to be completed in July and

JCI reports 4% fall in gold production

By Mark Suzman in Johannesburg

JCI Ltd recorded a 4 per cent drop in total production at its gold mines for the quarter ending in March to 11,196kg from 11,662kg in the December

quarter.
JCI Ltd., a new company, has taken control of the non-platinum mining interest of Johannesburg Consolidated Investments, the restructured South

African mining bouse. The decline at JCI completes a poor set of results from all of South Africa's leading gold producera during the past

As with other groups, the fall was primarily dua to labour disruptions, exacer-bated by extra public holidays. as well as a lower grade of gold. achieved.

At Western Areas; which now includes results from South Deep following the operations earlier in the quarter, after-tax profit dropped to R32m (\$8.9m) from R46.2m previously.

A steep rise in capital expenditure to R50m from R12m in the December quarter, reflecting tha heavy capital costs of developing South Deep, meant the mine recorded an R18m attributable loss on the quarter, against an attrib-utable profit of R34.2m in

Struggling producer H.J. Joel reduced its net loss to R5.36m from R7.4m on the back of slightly higher ore milled and a small rise in yield.

Meanwhile, Randfontein suffered from labour unrest and a drop in grade to 3.43 grammes/ tonne, down from 3.55 grammes/tonne previously, which raised working costs per kilogram and led to a drop in after tax profit to R32m from

Unisys moves on to parallel processing

By Clive Cookson in Parls

Unisys, the US computer company, yesterday made what it said was the most important product announcement since its formation nine years ago through the merger of Burroughs and Sperry Univac.

It announced a new generation of computers based on parallel processing - 8 technology that originated in high performance scientific computing and is spreading to the com-

mercial and financial sector. Mr Jim Unruh, Unisys chairman, forecast that the new systems, called Opus, would

than \$1bn a year. Unisys' total revenues last year were \$7.4bn. lt developed Opus jointly with Intel, the microprocessor manufacturer. Each computer will have an array of up to 128 of Intel's standard Pentium chips, working in parallel, so that the task can be completed much more quickly. Unisys needs the new system to continue diversifying away from making standard mainframe computers in competition with IBM - competition that almost broke the company at the

beginning of the 1990s. The Opus computers are "decision support systems which mine large databases of year. The company expects find new insights into financial parallel processing soon to gen-erate annual sales of more behaviour and needs."

Iusacell slumps to 264m pesos loss in first quarter

By Leslie Crawford

Grupo Iusacell, a leading provider of cellular telephone services in Mexico, raported first-quarter losses of 264m pesos (\$44m), compared with the 88m peso loss reported in the first quarter of 1994.

The company said foreign exchange losses of 275m pesos following December's devalua-tion of the peso were responsible for the deterioration in results.

In spite of the recession, lusacell said it had signed up 7,000 new subscribers in the first quarter of 1995.

Over the past year, the num-ber of subacribers has increased 39 per cent to 201,842, in spita of stiff competition from its main rival. Teléfonos

de Mêxico (Telmex). lusacell said it had taken "corrective measures" to mitigate the impact of Mexico'a economic recession. The development of new projects; such as radio-telephony, have been postponed until the economic

situation improves. The Ministry of Telecommunications agreed a 15 per cent rise in tariffs in April, which is expected to improve the company's cash flow.

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ANZBank Australia and New Zealand

Banking Group Limited

Australian Company Stumber C05 557 522 Uncorporated with limited liability in the State of Victoria, Australia) U.S. \$250,000,000

Subordinated Floating Rate Notes due 2000 of which U.S. \$140,000,000 is being issued as the Initial Tranche and U.S. \$70,000,000 is being issued at the Second Tranche Notice is hereby given that for the Interest Petrod 26th April, 1995.

to 26th October, 1995 the Notes will carry a Rate of Interest of 6.5125 per cent, per annum with an Amount of Interest of U.S. \$3,463.02 per U.S. \$100,000 Note. The relevant Interest Payment Date will be 26th October, 1995.

Bankers Trust Company, London

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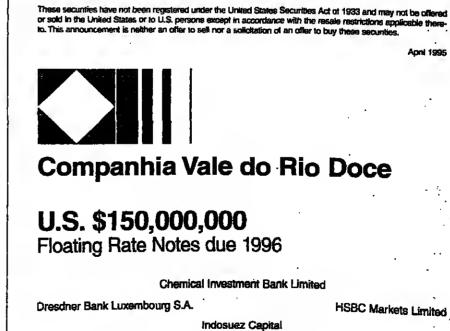
Republic of Poland U.S.\$137,556,000 Due 2009

New Money Bonds In connection with the 1994 Financing Proposals of the Republic of Poland Notice is hardby given that the Rate of Interest for the Interest Period April 27, 1995 to October 27, 1995 has been lixed at 7,125% and that the interest payable on the relevant Interest Payment Date October 27, 1995 for the interest period will be US\$36.22 in respect of US\$1,000

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANG

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GDRs and ADRs



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Banco Real S.A. Grand Cayman Branch



BB Securities Limited

HSBC Markets

LTCB International Limited

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FINANCIAL TIMES THURSDAY APRIL 27 1995 ★

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Chromecorp sees income soaring to R118.6m in year

Chromecorp, the world's third largest producer of ferrochrome, bas announced to a listing prospectus that it expects attributable income to more than treble to R118.6m (\$32.9m) in the year to December from R33.4m last year, writes Mark Suzman in Johannes-

burg.
The South African-based company, which is controlled by Switzerland's Südelektra, plans to raise R22.5m through a public offer of 3m

shares when it lists on the Johannesburg Stock Exchange on May 23. The projected earnings, which the company expects to achieve on the back of turnover of R490m, reflects strong underlying growth in the world ferrochrome market this year. Ferrochroma is one of the main ingredients for the production of stainless steel, for which demand soared 9 per cent last year and is expected to grow steadily in the next few

years.
About 8.5m shares, worth R117.5m, have been privately placed with local and international institutions and local analysts expect the public offer to be beavily oversubscribed. Directors plan to use R23.7m of the money raised to expand production facilities and R41.3m to repay long-term borrowings.

Stronger cement sales lift S African group

Pretoria Portland Cement, the South African construction products company, has reported a 43 per cent increase in after-tax profit for the six months to March, to R88.9m (\$24.7m) from R62.1m a year earlier, writes Mark Suzman. Earnings per share rose 41 per cent to 214.1 cents from 151.7 cents.

The improvement came on tha back of stronger demand for cement, Pre-tax income increased to R91.3m from R66.3m, reflecting the overall recovery in the construction sector. A 14 per cent increase in domestic cement sales and continued improvements in exports led to a 23 per cent rise in group turnover to R751.1m from R612.1m previously, while operating profit rose 25 per cent to R138.3m from

Net investment income also rose because of an increased contribution from joint venture products and higher liquid funds, rising 22 per cent to R25.9m from R21.2m. The group's lime division performed less well, with profits increasing 2 per cent to R34.9m from R34.3m.

Cigarette producer issues profits warning

W. D. & H. O. Wills, the listed Australian tobacco company in which BAT of the UK holds a majority interest, warned yesterday that continued price-discounting for cigarettes would mean that it would report "poor" results for the first half of the current year, writes Nikki Tait in Sydney.

"We are well below our budgeted performance as we continue to match our competi-tion in brand support expenditure," said Mr William McComas, chairman.

"Our reading of the market is that, if that state of affairs continues, we will be reporting a poor result for the first balf of this year." Wills saw total market share slip slightly to 31 per cent in 1994, while operating profits were slightly lower, after several years of improvement, at A\$78m. Wills' shares eased 14 cents to A\$2.96 yesterday.

Foster's says buy-back among its options

Financial highlights of

the consolidated results

for the year ended

TOTAL

INCOME

RETAINED

THE YEAR

TOTAL

ASSETS

17: 1115

PROFIT FOR

OPER VITNO

51st December 1994

Mr Ted Kunkel, chief executive of Foster's, the Australian brewing group which also owns Courage in the UK, said yesterday the company had considered a share buy-back, but only as a possible option assessed in the normal course of business, writes Nikki Tait. "It's

Moscow Narodny Bank

1994

 $\mathfrak{L}M$

29.4

20.1

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214.4

INCORPORATED IN THE CITY OF LONDON SINCE 1919

considered along with all other options," he

Share bny-backs have become topical in Australia in tha wake of Pacific Dunlop's recent decision to buy back up to 10 per cent of its equity - a programme which it has already begun. Mr Kunkel made no comment on speculation that Courage is to be sold shortly.

Poseidon Gold suffers setback at nine months

Poseidon Gold, part of the Normandy Poseidon group and said to be Australia's biggest gold mining company, yesterday announced that profits after tax but before abnormals slipped to A\$41.7m (US\$29.8m) for the first nina months of the financial year from A\$52.2m a year ago, writes Nikki Tait.

After the large, and previously announced,

asset write-down, the net loss after abnormals

The decline in the nine months to end-March was blamed on the weaker first quarter. Pos-Gold said profit in the latest three months to end-Marcb were slightly higher than in the comparable period of 1994, at A\$16.4m

Equity gold production stood at 238,5280z for the third quarter, taking equity production for

the nine months to 705,3880z.
PosGold added that similar output in the current quarter should lift 1994/95 production to 940,000oz from 817,853oz last time. It also forecast an improved fourth-quarter profit, reflecting the sourcing of Murchison area pro-duction, and some higher grade ore.

Maculan says it will halve dividend



group, has warned of lower-than-expected profits in 1994 and a consequent halving of its dividends, writes Ian Rodger in Zurich. The group, which has already reported difficulties with a housing project in Russia and a tunnel contract in Austria, said "unexpected negative trends" had also been discovered in

Maculan, a leading

Austrian construction

several areas of its German activities. Maculan has been one of the most aggressive companies acquiring businesses in eastern Germany. It said local management assessments of construction sites were over-optimistic. Severe price competition from companies based in weak currency countries had also developed, and organisational and personnel changes had been made, it said. The German subsidiaries remained "slightly in the

Tha group warned that these difficulties would lead to "exceptional measures which will affect the current financial year".

It said revenues would grow about 10 per cent this year, solely as a result of acquisitions already reported and approved. Group revenues rose 11 per cent last year to Schl5.57bn (\$1.6bn) and order books increased 8 per cent

Taiwanese airline cuts losses sharply in 1994

Eva Airways, Talwan's second-largest interna-tional airline, yesterday reported sharply reduced losses for 1994, AP-DJ reports from Taipei. The aftar-tax loss of T\$976.0m (US\$38.4m) compared with a net loss of

T\$2.19bn in 1993. Revenues of T\$19.5bn last year were 89 per cent higher than the previous year's T\$10.3bn. The airline has posted losses in four consecntive years since it was established in 1991. Analysts had expected it to break even in 1994.

North, Rio Algom launch rival bid for Musto

By Nikki Talt in Sydney and Bernard Simon in Toronto

North, the Melhourne-based mining group, has teamed with Canada's Rio Algom to make a C\$510m (US\$364m) bid for Vancouver-based International Musto Explorations, whose interest in the rich Bajo de la Alumhrera copper/gold project in Argentina.

Musto is already the target of a C\$12.50 a share offer from Placer Dome, the big Canadian

mining group. However, Rio and North have offered C\$14.99 Mr Adolf Lundin, Musto's

Musto has agreed to pay a hreak-up fee of C\$12m to North and Rio Algom if a majority of Musto's shares are acquired by a competing bidder. However, some Australian

chairman and largest share-

holder, earlier agreed to tender

his 36 per cent stake to Placer, unless its bid was exceeded by

at least 50 cents a share. Musto

said yesterday it was no longer

recommending the Placer offer.

the wake of an announcement by MIM, the Queensland-based

mining analysts said they viewed the new offer as a "knockout punch", pitched to

The North/Rio bid comes in

mining company, that the Alumhrera deposit had been be its operator.

at 563m tonnes.

significantly upgraded and a new mine plan prepared. MIM owns the other 50 per cent interest in the project and will

According to MIM, proven and probable reserves bave been lifted to 694m tonnes, in contrast to last year's feasibillty study which put the figure

The new mine plan provides for an open-cut mine, produc-ing a concentrate which contains an average 180,000 tonnes of copper and 640,000oz of gold a year over the 19-year life of

Previously, the figures were put at 170,000 tonnes of con-tained copper and 550,000oz of gold.

Mine development costs have been put at about US\$780m. If the bid is successful, it will comprise the hig acquisition which North bas long been expected to make.

Since it sold its paper interests in late-1993, the Australian company has been cash-rich. with the surplus standing at A\$262m at the year ended last

"Copper and gold are two of North's key target minerals and South America is a region where we are seeking to

Campbell Anderson, managing director, yesterday. He added that North, which has exploration offices in Chile and Peru, saw Alumbrera as a good stra-

tegic fit. Rio Algom, with extensive mining and metals distribution interests, was a subsidiary of RTZ, the UK-hased mining group, until two years ago. It has a strong balance sheet.

with cash reserves of C\$261m and relatively low debt. Alumbrera would help lift its annual copper output from 166m lbs last year to 350m lbs and would add 160,000oz of

Convenience stores hold winning formula

Chains are enjoying strong growth in Japanese retailing sector, writes Emiko Terazono

Unconsolidated recurring

emerged as the winners when the country's retailera released their annual

results last week. The results generally reflected an industry suffering from weak consumer confi-dence and deflationary pressures. in contrast, the convenience store chains posted steady rises in sales and earn-

ings.

Earnings at the top convenience stores, including Seven-Eleven, FamilyMart, and Mini Stop have grown strongly over

the past few years. Moreover, some chains are beating their parent companies in the general merchandising business. For example, annual sales at Seven-Eleven Japan are only 14 per cent of that of its parent, Ito-Yokado, a leading superstore chain, but its recurring profits - before extraordinaries and tax - surpassed those of its parent in

Bates Japan, the Japanese

advertising group, says structural changes in the Japanese economy and society are putting pressure on the time consumers spend shop-

The convenience stores have responded and so carved out a niche for themselves. Their formula has resulted in them widening their range of services, offering film development, sales of concert and sporting events tickets, or accepting utility bill payments. They have almost become community centres, says Ms Victoria Melendez, retail analyst at

Morgan Stanley. Small, cheap product ranges are a prerogative. Product and sales monitoring technology allows convenience store chains to move their merchandise around freely, adjusting quickly to changes in con-

profits (Ybn) 67.0

items, and with superstores which carry a vast array of merchandise

The Japanese chains have so far overcome the problems faced by their US counterparts. Convenience stores there found themselves limiting tbeir product ranges and resorting to discounting which hit profit margins,

The growth trend for conve nience stores in the current ment stores, which carry luxury products and high-ticket companies are pared foods, which has become growth area over the past

However, in the long run, one of the stumbling blocks will be market saturation. Sales and earnings growtb have been driven partly by the stores' aggressive expansion. However, analysts say the

market is maturing. MCR, a research company specialising in the convenience store market, says 2,500 consumers to one convenience store represent the market's theoretical saturation point in a country where gross domestic product is more than \$20,000 per person, MCR estimates that there were 45,700 convenience store outlets in Japan at the end of 1994, indicating a total 2,700 customers a store

However, Seven-Eleven Japan, the market leader, remains optimistic. Mr Hidetoshi Akiyama, a company official says 93 per cent of the 1.59m retail outlets in Japan

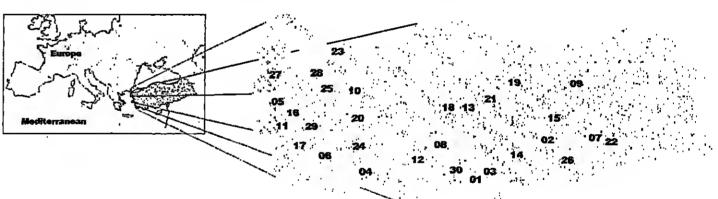
"mom and pop" stores, which are potential franchisees for the chain.

e also notes that about 20 per cent of customers at a Seven-Eleven store were there more than once a day. "We wouldn't need to increase the number of customers per store if the remaining 80 per cent came more fre-quently," he says.

Ms Melendez says the key to further growth would be more "convenience", where the range of products should include liquor and over-thecounter drugs, an area which is regulated by the govern-

Mr Yukio Abe of MCR says the current format of convenience stores, which usually operate independently, will need to change. "Outlets will probably have to team up with services such as book stores, video rental shops, public baths and karaoke boxes,"

REPUBLIC OF TURKEY PRIVATIZATION ADMINISTRATION PRIVATIZATION OF TEXTILE PLANTS SÜMER HOLDING A.Ş.



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Moscow Narodny

To receive a copy of the Moscow Narodny Bank's annual accounts please contact the bonk at the following address:

> Bank Limited. 81 King William Street, London EC4P 4JS. Tel: 0171 623 2066.-Fax: 0171 285 4840.

Moscow Narodny



MOSCOW NARODNY BANK

Manisa Cotton Company Produces: Cambric, trench coats, coats, work clothes, denim pants Adama Cotton Mill **Erzincan Cotton Mill** Produces: Carded yarn, and grey cloth Produces: Open-end yarn and grey Adryaman Cotton Mill Produces: Knitting yarn, knitted products and carded cotton yarn Eskişehir Printing Mill Produces: Carded and combed Nazilli Printing Mill Produces: Various printed cloth, raised cotton cloth, flamel, pylamas, night dress and duveryn yarn, poplin imprinted cloth, duvetyn, flannel and satin Akdeniz Cotton Company
(AKSANTAS)
Produces: Ring and open end
yam, fabric made of cotton,
synthetics and their blends and
printed fabric, carded and combed

Izmir Printing Mill Produces: Carded and combed yarn, imprinted cloth, duvetyn, flannel and satin upholstery, shirts,

Produces: Carded and combady yarn, fabric made of conton. synthetics and their blends ☐ 05
Bergama Cotton Company
Produces: Carded and combed
yarn, fabric made of cotton,
synthetics and their blends, shirts
and pyjamas

□ 06 Denizii Cotton Mili Produces: Open-end yarn, grey-cloth, dust fabric and bags

arbakır Cotton Mill

□ 08
Eredii Cotton Mill
Produces: Carded and combed
yam, sewing thread and fabric made
of cutton and synthetic blends,
workers' dress

Karaman Cotton Mill Produces: Carded and combed

Kayseri Cotton Mili Produces; Grey cloth, coarse with calico, fine cambric, cheese cloth, gas hydrohilous, dust cloth, worker's overalls and bags

Produces: Grey cloth, cambric sheeting, pillow covers, quilt covers and bed cloth sets

K.Maras Cotton Mill

Malatya Cotton Mill Produces: Military cloth, curtains, upholstery, table cloths, pique and

Nevşehir Cotton Mill Produces: Carded yarn, towel cloth, towels and bathing-suits

s Cotton Company Sivas Cotton Company (SIDAS) Produces: Grey cloth, denim 20
 Afyon Sincard: Mohair
 Top Mill
 Produces: Mohair Top, blanket

21 Bürnyan Woolen Industry Establishment Produces: Wool and synthetic mixed jacquard and plain blanker senge cloth, worker's dress

Diyarbakır Carpet Mill Produces: Machine made carpet and hand woven carpet, semi-worsted carpet yarn

Hereke Woolen Industry
Establishment
Produces: Worsted and woolen
yarn, flannel, blazer, tweed, serge
and various fabric for jackets,
men's and women's coats

Isparta Carpet Mill Produces: Hand woven carpets. and carpet yarn

Merinos Woolen Industry Establishment Produces: Tops, worsted yarn, 100% wool, wool-poly. wool-viscone fabrics and

Sanhurfa Wool Scouring and Wooden Yarn Mill Produces: Painted or impainted woolen yarn and

Canakkale Synthetic Leather Plant Gemlik Artificial Silk and Viscose Products Industry Plant

Produces: Cellophane v 29
 Salihli Valonia and Valex

Factory Produces: Valonia and sumac

Tarsus Textile Dyes Industry Plant Produces: Azoic, sulphur and reactive dyestuffs

Tenders will be announced by batches of 5-8 plants between May 1995 and August 1995. Tender dates will be communicated to interested investors and visits can be arranged.

Please fax the completed page to (90) 312 311 72 33 for detailed Information packs. COMPANY NAME YOUR TITLE MAILING ADDRESS TEL

Mr. Metin SALAMCI Tel: (90) 312 - 440 27 41 Fax: (90) 312 - 439 84 77 Address: TC Prime Ministry Privatization Administration

Hüseyin Rabmi Gürpınar Sokak No: 2, 06680 Çankaya-Ankara/TURKEY or Mr. Orban ÇIPLAK Tel: (90) 312 - 310 25:44 Fax: (90) 312 - 311 72 33 Address: Sumer Holding A.Ş. Genel Müdürlüğü, Ulus-Ankaru/TURKEY



Parital Paris

dential" top-up. Sir Bruce said that the cycli-

cal nature of banking meant

that "It beheves us to put some

money away in the benign part of the cycle". The bank was

working on more sophisticated

methods of calculating general

Mr Peter Burt, treasurer

believed the bank had not

relaxed credit standards to

expand lending, although this

provisions, he said.

Birthday Bank of Scotland rises 67%

By John Gapper, Banking Editor

Bank of Scotland yesterday marked its 300th anniversary by announcing a 67 per cent rise in pre-tax profits from £268.7m to £449.7m in the year to February 28.

The result was helped by unusually strong 10 per cent growth in lending. The bank eschewed a special

dividend to celebrate the anniversary of its formation in 1695, but increased its dividend by 15.25 per cent from 5.05p to

It also gave its 15,000 employees a 13.8 per cent profit-re-

customer

best shot

Bank of Scotland did not have

it easy in the early days. The "publick bank" formed under

an Act of the Scottish parlis ment in 1695 nearly collapsed

a year later after the rival Dar-

ien Company organised a run

on its deposits, writes John

Gapper. 1t was formed with £100,000

capital from 172 "adventur-ers" including 24 nohles, 41 merchants and 14 lawyers and

judges. All English partners were

deemed Scotsmen, in retalisa-tion for the English parlia-ment regarding Scots as

It made consistent profits

after the Act of Union in 1707, but a 1728 crisis when it could

not meet the face value of

some bank notes led to it

including an option on lts

notes allowing it to pay six

months after presentation.

The Jacobite sympathies of

its early directors did not pre-

vent it withdrawing credit

from the army of Bonnie

Prince Charlie in 1745 because

rebellion was had for busi-

took his

The

Operating profits rose 14 per cent from £568.8m to £650m, because of asset growth, increased fees and commissions, a fall in suspended interest on non-performing loans, and the bank's success in attracting cheap wholesale denosits.

It warned that margins on residential mortgage lending, which comprises 24 per cent of sterling lending, came under

pressure in the second half. Only a third of the last 1 per cent rise in base rates was Sir Bruce Pattullo, governor and chief executive, said the

Bonnie bank

Net profit, £ (log séale)

100,000,000

50,000,000

10,000,000

1,000,000

500,000

100,000

50.000

10,000

The bank was closed for two months when he occupied

In 1786, Robert Burns wrote

a poem on the back of one of

its notes, following the repudi-

ation of his marriage to Jean

Armour: "For lack of thee I

leave this much lov'd shore,

Never, perhaps, to greet old Scotland more," he wrote.

By the second half of the

18th century, its main activity

had become lending through

hills of exchange and over-

In the 1780s, it contributed to famine relief by making low

Bank formed in 1695 with £100,000 capital from 172 'adventurers'

defeated at the Ba of Culloden the

hank had increased its market share of lending in England by concentrating on niche activities such as lending to housing associations and nursing

It was now "more ambivalent" about buying a building society because moves by other banks to do so had "set alarm bells ringing". Sir Bruce added: "This looks

homes.

like another stampede, and we have a hias in favour of organic growth." Specific provisions against

would only be fully tested in a bad and doubtful debts fell 34 recession. "Our managers get per cent from £283.8m to their kicks from continuing to grow," he said. £187.7m. However, it boosted The tier 1 ratio of core capiits general provision against

unidentified future losses by tal to risk-weighted assets rose £33.8m, including a £20m "pru- from 5.8 per cent to 6.1 per

Sir Bruce said he was "very comfortable" about the retention of capital, which was needed to finance continued asset growth.

The ratio of costs to income rose from 48.6 per cent to 49.8 per cent. Costs rose from £552.4m to £644.2m, including a profit share of £26.7m, triggered by a rise in pre-tax return on equity from 22.3 per cent to 25 per cent.

Earnings per share rose from 12.2p to 22.3p, and net asset value per share rose from 94.3p

US alliance with Totem for Ugland

By Charles Batchelor, Transport Correspondent

Ugland International, the shipowning and management group, will gain access to the US market through a strategic alliance agreed with Totem Resources, one of the largest US tug and barge operators. Ugiand has taken a 25 per

cent voting stake in Interocean Management, TRC's ship management arm, while TRC, based in Seattle, has acquired a 25 per cent voting interest in

US vessels are typically three times the level for non-US vessels, while contracts tend to be louger. The deal means that TRC can use Ugland's internadonal network of offices at a time when a growing number of US shipowners are registering under foreign flags and

employing non-US crews. As well as acquiring voting stakes in each others' subsid-

Ugland Brothers, Ugland's ship management subsidiary, Ship management fees for

iaries, Ugland will acquire a further 24 per cent "commer-cial interest" in IOM, while TRC will acquire a further 25 per cent nou-voting stake in Ugland Brothers. Ugland is paying about \$2m for its shares, while TRC is paying

£75,000,000

information will apply.

Payment Oate:

Interest Payment Date:

LEX COMMENTS

Bank of Scotland has made duliness a virtue. It is Britain's most boring bank. The steadiness of the business helps explain 300 years of consistent profitability and, more recently, why the bank has outperformed the sector by

nearly 100 per cent since 1980.

Shunning the latest fashion, whether third world lending or bancassurance, Bank of Scotland has continued to grow and make money from old-fashioned lending. Its low costs and careful lending policies have born fruit. While other UK clearing banks have reported falling operating profits before provisions. Bank of Scotland raised its by 14 per cent. It, was totally in keeping with the bank's conservatism that despite the good results, management decided against replicating Deutsche Bank's 125th anniversary special dividend this

Whether its strategy is adequate for the late 1990s remains unclear. During the past reces sion, the bank suffered far less than its counterparts, partly because of prudence and partly because the recession was less severe in Scotland than elsewhere. The bank claims it is still prodent, making a virtue of its small English network by successfully targetting niche mar-kets such as housing corporations. But the bank's lack of local knowledge in England could eventually be reflected in the quality of its loan book there. There is, moreover, no guarantee Scotland will suffer less than other regions during the next downturn. If Bank of Scotland remains safe and dependable, its attractions may only become apparent again when the other banks start suffering.

Building societies

National & Provincial Building Society, currently being stalked by Abbey National, has little future as an independent entity. It is a weak operator in an oversupplied industry. It would be best if it were taken over, with its product range and branch network rationalised. Members would benefit - receiving per-

haps £500 on average.
Sadly, the law does not require societies to put offers to their members, in the way that ordinary companies must put bids to share holders. Moreover, government plans to improve accountability amount to little. As a result boards can, in theory, fob off suitors and run societies in their own interests rather than their members. Whether N&P does this in practice remains to be seen. The official line, repeated at yesterday's annual meeting, is that highest priority will be given to members interests. But some scepticism is justified.

NAP may seek a cosy deal with a white knight
that protects management jobs rather than delivers the best price.

Doing what is best for members does not, of course, mean rushing into Abbey's arms. For a start, Abbey has not named a price. It is also unclear what other offers may be available. Another bank may be prepared to offer a bet-ter price. Alternatively, it may be attractive to merge with another society if that is a prelude to converting into a bank – as members would then receive shares. N&P's board is not under any legal requirement to seek out the best offers, but the moral imperative is great.

Monarch Res in black as La Camorra output starts

By Kenneth Gooding Mining Correspondent

Monarch Resources, the London-listed company that is the higgest private gold producer in Venezuela, moved from a net loss of \$3.14m in 1993 to a net profit of \$215,000 last year. Gold production more than

doubled to a record. 40,841 troy ounces, and Monarch expects output this year to be between 80,000 and 100,000

The COPERATIVE BANK

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 25th April, 1995 to 26th July, 1995 the following

Bank of America International Limited

Need facts and

Per £5,000 nominal or £895.98

Per £50,000 nominal

26th July, 1995

Subordinated Floating Rate Notes 2000

1. Rate of Interest 7.1875% per annum

2. Interest Amount payable on Interest

The Co-operative Bank plc

The increase resulted from the start of commercial operations in August at La Camorra and record production and operating results from the Revemin mill. Additionally, the average gold price improved from \$357 an ounce in 1993 to \$384.

La Camorra produced 12,467 orances up to the year end, at an average cash cost of \$255 an ounce. This was below feasibil-ity study forecasts, but Mon-

achieve design production lev-els in the fourth quarter. In June Monarch was listed

in Toronto, now its primary exchange, and raised C\$31.7m through an equity offering. This - enabled -exploration expenditure to more than donble to \$6.8m (\$3.2m)

Exploration concessions were acquired in Mexico and Argentina as part of the strategy of diversifying into other Latin Américan countries.

Welcome to

SCA's Annual General Meeting

The shareholders of Svenska Cellulosa Aktiebolaget SCA (publ) are hereby invited to attend the Company's Annual General Meeting, to be held at Cirkus, Djurgården, Stockholm, on Thursday, May 18, 1995, at 4:30 p.m.

Agenda
In accordance with the Swedish Companies Act and as stipulated in the Company's Articles of Association, the agenda includes the presentation of SCA's Annual Report and Auditors Report, Consolidated Financial Statements and Consolidated Auditors Report, decisions on approval of the Income Statement and Balance Sheet, and Consolidated Income Statement and Balance Sheet, disposition of the Company's earnings as shown in the approved Balance Sheet, voting on the discharge of the Board of Directors and President from liability for the year, determination of the fees to be paid to the Board of Directors and Auditors and the election of the Board of Directors and Auditors.

Proposal for election of Board members Shareholders representing nearly 50% of the voting rights of all SCA shares have notified the Company that they support the proposal of the comination committee that the Annual General Meeting re-elect Board members Bo Rydin, Tom Hedelius, Sverker Martin-Löt, Erik Penser, Lars Ramqvist, Clas Reuter-likeld and Lars Observed. skiöld and Lars Öberg.

Notice of participation Shareholders wishing to participate in the Meeting must:

- be recorded to the share register maintained by the Swedish Securities Register Center (Vardepapperscentralen VPC AB) on Monday, May 8, 1995, and
- notify SCA of their intention to participate not later than 4:00 p.m., Monday, May 15, 1995 to Svenska Cellulosa Aktiebolaget SCA, Box 7827, S-103 97 Stockholm, Sweden, telepbone +46 8-788 51 63, +46 8-788 51 00 or telefax +46 8-678 81 30.

Name, address, personal identification/organization number (when applicable) and telephone number should be provided with the notice of participation. Shareholders who have their shares registered in the name of

a nomioee must temporarily have their shares registered in their own name with the Swedish Securities Register Center (VPC) on Monday, May 8, 1995. A request for such temporary registration should be received by the nominee well in advance of the

Dividend

The Board of Directors has proposed a dividend of SEK 3.75 per share. Tuesday, May 23, 1995 is proposed as the record date for payment of the dividend. If the shareholders at the Annual General Meeting approve the proposal, it is expected that dividend payments will be mailed by VPC on Wednesday. May 31, 1995.

Refreshmeots will be served from 3:00 p.m.

Stockholm, April 1995 The Board of Directors



ï

Payment of

Dividend

interest loans to districts in years of poor harvest.

The bank grew rapidly dur-

The value of bills accepted

in London increased four

times, while income from its

hranch network rose from

£19,580 in 1791 to £62,215 in

times again following the Bat-

By 1830, it suffered competi-

tion from the new Glasgow

joint stock banks, and it did

not respond rapidly enough to

tle of Waterloo in 1815.

But it went through hard

ing the 1790s, despite the war

with France.

NOTICE IS GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 25 April, 1995 a dividend for the year ended 31 December, 1994 of DM 10 per share of DM 50 par value will be paid as from 26 April, 1995 against delivery of Coupon No. 58 from shares of DM 50 or Coupon Na. 9 from London Deposit Certificates of DM S.

Dividend of 20 % will be subject to German Capital Yield Tax of 25 % and 75 % solidarity payment charged on the capital yield tax.

Coupons may be presented as from 26 April, 1995 to

S. G. Warburg & Co. Ltd. Paying Agency 2 Finsbury Avenue London EC2M 2PA

from whom appropriate claim forms can be obtained.

The dividend will be paid at the rate of exchange ruling on the day of payment.

of record as of April 26, 1995.

Payments in respect of London Deposit Certificates will be made at the rate of exchange ruling on the day of receipt of dividend on the underlying shares deposited in

prosper in an age of indust-rialisation.

In 1826, the last duel was

fought in Scotland between its

agent in Kirkcaldy, and a cus-

tomer. The customer killed the agent with a pistol, but was acquitted of murder on the

grounds that he acted in self-

defence. The two families were later reconciled by the mar-

riage of the agent's first

consin to the customer's

Bank of Scotland 1695-1995: A

Very Singular Institution. By

Alon Cameron. Mainstream

daughter.

Publishino, £14.99

United Kingdom Income Tax will be deducted at the rate of 5 % unless claims are accompanied by an affidavic.

German Capital Yield Tax deducted in excess of 15 % is recoverable by United Kingdom residents, and the Company's United Kingdom Paying Agent will, upon request, provide holders with the appropriate forms for such

Frankfurt am Main, April 1995

Hoechst

NOTICE TO HOLDERS OF THERMO ELECTRON

CORPORATION 41/1/4 SENIOR CONVERTIBLE **DEBENTURES DUE 1997** NOTICE IS HEREBY GIVEN by Thermo Electron Corporation ("the Corporation"), pursuant to Section 7(f)(ii) of the Fiscal Agency Agreement dated as of July 29, 1992 between the Corporation and

right either the Corporation's 4%% Senior Convertible Debentures due 1867 will be adjusted from \$32.25 to \$21.50. This adjustment reflects a three-for-two spills of the Corporation's Common Stock, \$1.00 par value per share, to be paid in the form of a 50% stock dividend on May 24, 1995 to shareholders of record as of April 26, 1995.

M. CHEMICAL

Fiscal Agent

NOTICE TO HOLDERS OF THERMO ELECTRON

CORPORATION 41/1/8 SENIOR CONVERTIBLE

DEBENTURES DUE 1997

DEDENTIONED DUE 1997

NOTICE IS HEREBY GIVEN by Thermo Electron Corporation ("the Corporation"), pursuant to Section 7(f)(ii) of the Fiscal Ageory Agreement between the Corporation and Chemical Bank, as Fiscal Agent, that, effective as of April 27, 1995, the cooversion price of the Corporation's 41/46 Senior Convertible Debentures due 1997 will be adjusted from \$52.25 to \$21.50. This adjustment reflects a three-for-two split of the Corporation's Common Stock, \$1.00 par value per strare, to be paid in the form of a 50% stock dividend on May 24, 1995 to shareholders

M. CHEMICAL

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information you need Competitors

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 Background Research

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METAL TIMES THE RESIDENCE OF THE SECONDARY SPORT

NatWest sells global custody unit for £17m

NatWest Markets, the minster Bank, has agreed to sell its global custody business to Lloyds Bank for £16.3m. Earlier this year, NatWest had let it be known that its business was for sale, signalling the start of a shake-out in what has become an increasingly competitive banking business. NatWest is the only

corporate and investment banking arm of National Westminster Bank, has agreed to their computer systems every year, while, because of fierce

competition, fees have col-

Mr Martin Owen, chief exec-utive of NatWest Markets, said the sale reflected the bank's ongoing review of the returns provided by each of its businesses. NatWest's global custody business "is not by any. means a market leader and it is behind in technology.'

agement, foreign exchange and view that some of the "soft" securities lending services. business coming to the indus-However, to service these cli- try as a result of custody operations was not necessarily still accruing to NatWest. Clients are divorcing their foreign exchange and cash management businesses from custody and when they are not, they are demanding keener pricing. From tomorrow, NatWest's

custody business, NatWest Investment Services, which has £57bn in custody assets, will be transferred to Lloyds. All but four of the 271 staff members have also been transferred to Lloyds. Lloyds said it already had

LDV expands with S Africa assembly deal

LDV, formerly known as Leyland Daf Vans, has signed an agreement with AAD of Johannesburg for the assembly and distribution of its vans. first in South Africa and later in sub-Saharan Africa.

The company also reported pre-tax profits of £18.3m (\$30m) in its first full financial year since a management buy-ont from the receiver of Daf, the Dutch truck company, in April

Both announcements signailed the consolidation of the company since Mr Allan Amey,

Mr Amey's timing was per-fect. The van market started to from pressings. Van producrecover to the second half of 1993 after being in the doldrums since 1989. Demand for its pressings, from customers like Land Rover, increased as UK-based motor manufacturers built up production.

LDV quickly settled into a production rhythm, and in its first eight months made pretax profits of £7.1m on sales of £63.7m.

Sales accelerated in the year to last December, reaching proportion of sales, pre-tax

RESULTS

tion, which had averaged 200 a week in 1993, rose last year to 300 a week, comfortably above the output of 9,000 vehicles a year - the level at which the buy-ont team had calculated the company could break

even.
"We have not allowed the break-even point to drift up," said Mr Amey, noting the com-pany's attention to containing costs and explaining that, as a

per cent in 1994. At the outset, the buy-out team had a target of a 10 per cent return on

LDV believes that it has firmly re-established its position as a niche producer on the UK market and has begun to establish in western Europe. Mr Amey's objective now is to lift the insignificant number of export sales to 40 per cent of total output in three years. The South African agree-

ment follows a similar arrange-

the idea is to set up an assembly point for kits mada in Bir-mingham and use established local sales networks to pene trate new markets. In the first year Sonth African sales are

expected to reach 400. Expanding sales have per mitted LDV to advance devel-opment plans for the technical evolution of its vans and to repay the Royal Bank of Scot-land half of the senior debt of £7m it took on at the time of

business. NatWest is the only nesses. NatWest's global cus- will be transferred to Lloyds. chief executive, and his col-		Turnov	ver (Em)	pro	et (Dou)	₽:	S (p)	payment (p)	payment	dividend	year.	yeer
one of the leading UK banks to tody business "is not by any. All but four of the 271 staff leagues pulled together a £40m withdraw from the custody means a market leader and it members have also been trans-	Air Landon § 6 mits to Jan 31	12.2	(7.78)	0.38	(0.3)	2.6	(22)	1.6	June 21	1.6	— .	3.5
	Bank of Scotland Yr to Feb 28	-	(-)	449.7	(268.74)	22.3	(122)	3.69	July 7	3.16	5.82 2.15	5.05
business. is behind in technology." ferred to Lloyds. group.	Bentalis Yr to Jac 28		(78.9)	2.5	(1.75)	9.73	(12.2)	1.55	June 12	1.4	2.15	2
Custody, the safe keeping of Even if NatWest bad Lloyds said it already had At the time doubts were	Bisichi Mining Yr to Dec 31	0.42	(0.41)	0.334	(O.O44)	3.08	(0.04L)	0.71	Aug 25	0.68	0.71	0.68
securities for clients, has invested substantially in £58bn of custody assets. The widely expressed about the	Dencora Yr to Dec 31	26	(29.6)	212	(1.58)	6.1	(3.7)	3.7	July 1	3.3	3.7	3.3
become an increasingly impor upgrading the technology, it deal showed that it intended to future soundness of a rela-	DPS Purniture 6 mths to Jan 28	73.7	(66.6)	191	(9.9 0)	8.27	(6.26)	2.65	June 20	2.3	-	7. 2
tant business for large interna- would have been hard pressed be a market leader in the pro-	Farringford	0.652	(D.636)	0.247L	(0.896L)	1L	(3.6L)	-		-	•	
	JJB Sports Yr to Jan 31	61.3	(43.B)	7.59	(4.58)	16.75	(12.42)	2	July 3 July 4	-	2	-
	Journal (Thomas)	23	(22.9)	3.47L		19.4L	(0.59)	0.75	July 4	0.5	1.25	1
the service are also likely to larger competitors, he said. vices. Intensely competitive market.	Liordeart Yr to Dec 31	41.2	(46.7)	6.16L	(1.77)	3.37L	(0.49)	ndi	-	0.1	nii	0.3
	LAIT Yr to Dec 31	4.8299	(3.92§§)	1.71	(1.52)	1.91	(1.48)	0.63	Aug 31	0.59	0.68	0.64
	Monarch Resources ☆	15.8	(7.37)	0.41		0	(0.121_)	-	-	-	•	•
Initiary and Astronomy Down against	Plantation & Gen	47.7	(44.B)	3.91	(0.217)	ав	(1.6L.)	1.5	July 31	0.75	2.5	1.5
	Sentry Parinting 5 Yr to Dec 31	7	(6.2)	0.977	(0.786)	155	(11.1)			9.05	2.4	0.05
I HILEVEL LAKES STAKE III E PITI ASSIMIATE						13.0	(11.17	3.4	June 2	2.23	3.4	2.23
Unilever takes stake in Peru associate	Seaffeld	17	(27.5)	0.193	(24.2L)	0.3	(35.4L.)	3.4 nii	-	nii	7.4	zza nli
Omever takes stake in Peru associate		17 29.2	(27.5) (28.2)			B.3 4.55	(35.4L) (15.15)	nii 2.75	June 15	nli 2.5	nii 3.75	all 3.5
	Seaffeld	17 29.2		0.193	(24.2L)	0.3 4.55	(35.4L.)	3.4 nii 2.75 30大	-	nii 2.5 23.5	nii 3.75 42	nii 3.5 34
Unilever, the Anglo-Dutch because of the economic and February, Unilever said it was Peru's markets, including toi-	Seaffeld	17 29.2		0.193 0.58	(24.2L.) (1.13.)	0.3 4.55	(35.4L.)	3.4 nli 2.75 30大	June 15 June 9	nii 2.5 23.5	nH 3.75 42	3.5 34
Unilever, the Anglo-Dutch because of the economic and February, Unilever said it was Peru's markets, including toi- consumer products group, has political situation in Peru. planning to boost its presence, let sosp and margarine, and a	Secficid		(28.2)	0.193 0.58 -	(24.2L.) (1.13.)	•	(35.4L) (15.15)	30大 Current	June 15 June 9	nii 2.5 23.5 Corresponding	nii 3.75 42 Total for	3.5 34 Total last
Unilever, the Anglo-Dutch because of the economic and February, Unilever said it was Peru's markets, including toi- consumer products group, has political situation in Peru. planning to boost its presence, let soap and margarine, and a	Sesticid Yr to Dec 31 Shillon Yr to Mar 25 VSB. Yr to Mar 25	NAV	(28.2 j	0.193 0.58 Annal	(24.2L.) (1.13) Bestables legs (244)	•	(35.4L.)	3.4 nli 2.75 30 % Current payment (pt	June 15 June 9	nii 2.5 23.5 Corresponding dividend	year	3.5 34 Total last year
Unilever, the Anglo-Dutch because of the economic and February, Unilever said it was Peru's markets, including toi- consumer products group, has political situation in Peru. planning to boost its presence, let sosp and margarine, and a agreed to acquire a little more However, the Peruvian com- sales and profits in emerging strong presence in the edible	Section Yr to Dec 31 Shilloh Yr to Mar 25 VSEL Investment Trusts English Mar Pref Yr to Mer 31	351.4	(28.2) (374.4)	0.193 0.58 Anna Earnal	(24.2L.) (1.13.) Bestables legs (200) (0.52.)	19	(35.4L) (15.15) S (p) (16.5)	Current payment (ph	June 15 June 9 Date of payment June 23	dividend 11.2	year 17.2	3.5 34 Total last year 16.2
Unilever, the Anglo-Dutch because of the economic and consumer products group, has agreed to acquire a little more than 50 per cent of the voting pany has continued to make markets. February, Unilever said it was permit and february, Unilever said it was political situation in Peru. planning to boost its presence, let sosp and margarine, and a strong presence in the edible oils market.	Sestield Yr to Dec 31 Shilob Yr to Mar 25 VSEL Yr to Mar 25 Investment Trusts English Mat Pref Yr to Mer 31 English Mat Detd Yr to Mar 31	351.4 276.4	(28.2) (374.4) (299.4)	0.193 0.58 Anni Eleman 0.615 0.615	(24.2L.) (1.13.) (1.13.) (0.52.) (0.52.)	•	(35.4L) (15.15) S (p) (16.5) (11.6)	Current payment (p) 11.8 9.35	June 15 June 9 Date of payment June 23 June 23		year	3.5 34 Total last year 16.2 11.3
Unilever, the Anglo-Dutch because of the economic and consumer products group, has agreed to acquire a little more than 50 per cent of the voting shares in its former Peruvian because of the economic and political situation in Peru. planning to boost its presence, let sosp and margarine, and a strong presence in the edible markets. Shares in its former Peruvian because of the economic and political situation in Peru. planning to boost its presence, let sosp and margarine, and a strong presence in the edible markets. Unilever, the Anglo-Dutch because of the economic and political situation in Peru. planning to boost its presence, let sosp and margarine, and a strong presence in the edible oils market. Unilever, the Anglo-Dutch because of the economic and political situation in Peru. planning to boost its presence, let sosp and margarine, and a strong presence in the edible oils market. Unilever said it was planning to boost its presence, let sosp and margarine, and a strong presence in the edible oils market. Unilever, the Anglo-Dutch because of the economic and political situation in Peru. planning to boost its presence, let sosp and margarine, and a strong presence in the edible oils markets. Unilever, which did not dis-	Seeffield Yr to Dec 31 Shilloh Yr to Mar 25 VSEL Yr to Mar 25 VSEL Yr to Mar 25 Investment Trusts English Mar Pret Yr to Mar 31 English Mart Deta Yr to Mar 31 Marray Spitt Cap 6 mits to Feb 28	351.4 276.4	(28.2) (374.4)	0.193 0.58 Anni Eleman 0.615 0.615	(24.2L.) (1.13.) Bestables legs (200) (0.52.)	19	(35.4L) (15.15) S (p) (16.5)	Current payment (ph	June 15 June 9 Date of payment June 23	dividend 11.2	year 17.2	3.5 34 Total last year 16.2 11.3 x10.6
Unilever, the Anglo-Dutch because of the economic and consumer products group, has agreed to acquire a little more than 50 per cent of the voting shares in its former Peruvian subsidiary. because of the economic and political situation in Peru. planning to boost its presence, plet soap and margarine, and a strong presence in the edible oils market. Peru's markets, including to boost its presence, let soap and margarine, and a strong presence in the edible oils market. Unilever products under licence, including Lux soap, annual turnover of about close the price of the deal, said	Section Yr to Dec 31 Shilloh Yr to Mar 25 VSEL Investment Trusts English Mat Pref Yr to Mer 31 English Mat Detd Yr to Mar 31 Murray Spit Cap 6 mits to Feb 28 TR High broomse	351.4 276.4 171.6	(28.2) (374.4) (299.4)	0.193 0.58 Acces Exercis 0.615 0.615 0.331	(24.2L.) (1.13.) Bestables ogs (2m) (0.52.) (0.52.) (0.369.)	19	(35.4L.) (15.15.) (16.5.) (16.5.) (16.6.) (4.61.)	30 X Current payment (p) 11.8 9.35 2.65 11 1.6 \$	June 15 June 9 Date of payment June 23 June 23	11.2 8.75 2.65 1.5	year 17.2	3.5 34 Total last year 16.2 11.3 x10.6 6.1
Unilever, the Anglo-Dutch because of the economic and consumer products group, has agreed to acquire a little more than 50 per cent of the voting shares in its former Peruvian because of the economic and political situation in Peru. February, Unilever said it was political situation in Peru. Sales and profits in emerging strong presence in the edible oils market. February, Unilever said it was planning to boost its presence, let soep and margarine, and a strong presence in the edible oils market. Unilever, the Anglo-Dutch because of the economic and strong presence in the edible oils market. February, Unilever said it was planning to boost its presence, let soep and margarine, and a strong presence in the edible oils market. Unilever products under	Section Yr to Dec 31 Shilloh Yr to Mar 25 VSEL Investment Trusts English Mat Pref Yr to Mer 31 English Mat Detd Yr to Mar 31 Murray Spit Cap 6 mits to Feb 28 TR High broomse	351.4 276.4 171.6	(28.2) (374.4) (299.4)	0.193 0.58 Anni Eleman 0.615 0.615	(24.2L.) (1.13.) Bestables ogs (2m) (0.52.) (0.52.) (0.369.)	19	(35.4L) (15.15) S (p) (16.5) (11.6)	Current payment (p) 11.8 9.35	June 15 June 9 Date of payment June 23 June 23 July 3	dividend 11.2	year 17.2	3.5 34 Total last year 16.2 11.3 x10.6

Dividends strawn net. Figures in brackets are for corresponding period. After exceptional charge, \$4fter exceptional credit. \$USM stock. \$4t August 31, \$\$50000 interfer; makes 5.3p to date. \$\$60000 income. \$15 currency. \$\$60000 interfer; makes 5.3p to

shares in its former Peruvian Signal toothpaste and Brut toi-

lt has signed a partnership agreement with Industrias Pacocha, which it sold in 1971

Announcing its results in

> Industrias Pacocha bas annual turnover of about \$107m and employs 750 people at two manufacturing sites. It has leading shares in several of

close t the further development of the

Gem River survey puts Butte in black

Butte Mining, whose main fortunes is largely the result of activity is sueing former managers and promoters for damages of up to \$1bn (£600m) in the US, and whose flotation was the focus of a Serious Fraud Office investigation, is "alive and well" according to Mr David Lloyd-Jacob, chair-

Pre-tax profits amounted to £49,000 in the six months to December 31. This compared with losses of £355,000 last time. The improvement in its raise up to £3.5m.

sapphire property in Montana carried out for the Gem River Corporation of the US.

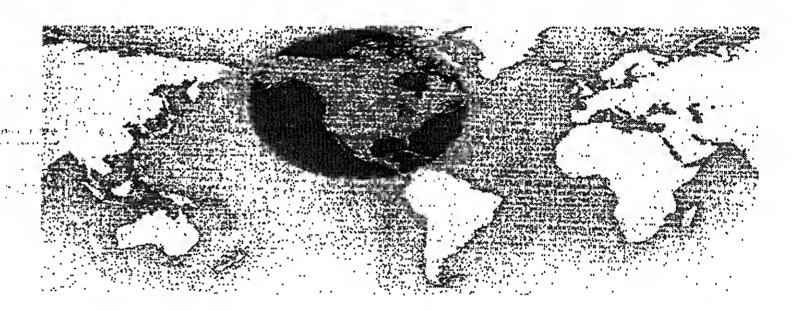
Turnover grew to £496,000 (£20,000) as a result of the receipt of shares in the Gem River sapphire property. Earnings per share were 0.02p (0.15p

Alberta and UK prospectuses, which Butte is hoping to use to

CALL FOR TENDERS

for the Purchase of a group of assets of "METALLURGIKI HALYPS SA" of Athens Greece "ETHNIK KEPHALEOU SA. Administration of Assent, and Liebilities", of 1, Standardou Se., Africa, Greece, in its capacity as Liquidator of "METALLIPIGHO HALYPS SA" a company having its registered office in Atheras, Greece (the "Company), currently under speciel Squideston according to the provisions of article 48m of Law 1882/1990 by visus of Decision No. 4354/1994 of the Atheras Court of Appeal, upon instructions of the creditors, representing more than 51% of the claims against the Company.

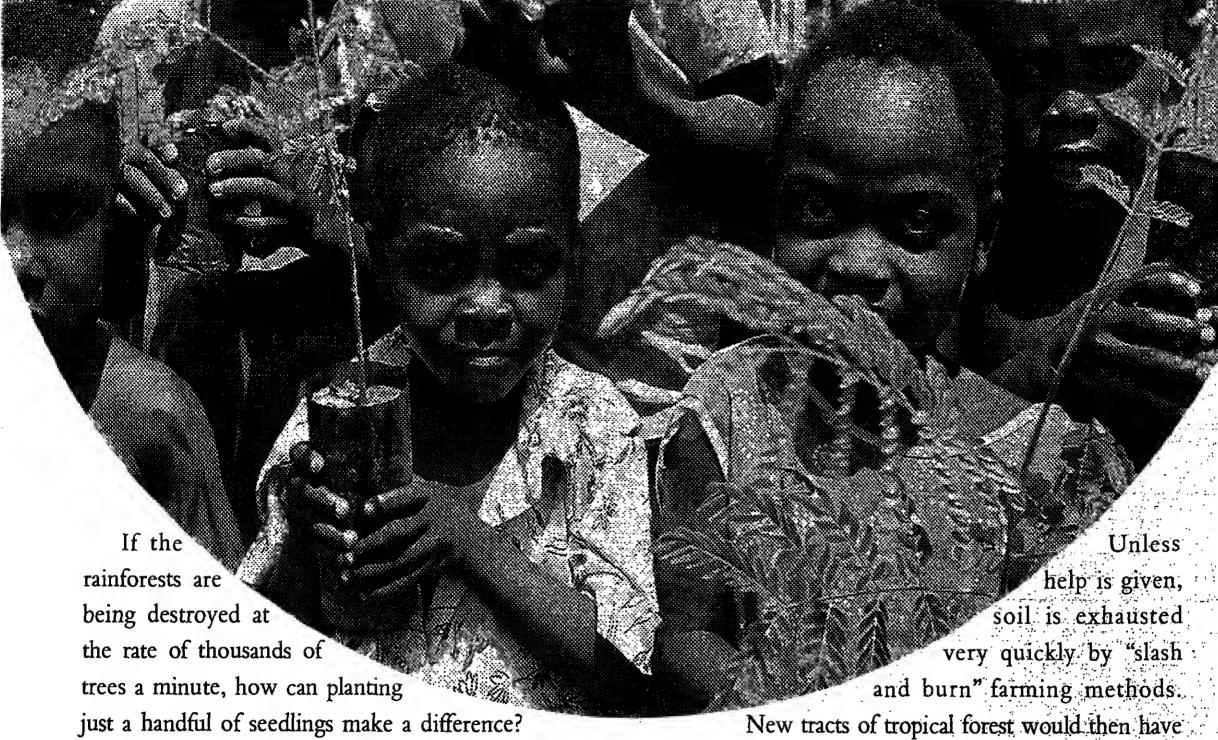
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A WWF – World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The *Markhamia lotea* trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

New tracts of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

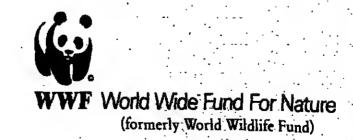
In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

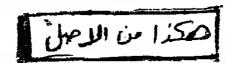
WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.





COMMODITIES AND AGRICULTURE

Nickel producers 'flat out' | Argentine copper-gold deposit upgraded to match demand surge

By Kenneth Gooding, Mining Correspondent in Paris

Nickel nsers at present are more concerned about future supply and securing the tonnages they believe they will need rather than prices, according to Mr Yves Ram baud, chairman of Eramet, the world's biggest producer of

Eramet is negotiating new long term contracts with many European customers. Consumers were worried about the uncertainties surrounding supplies from the Norllsk group in Russia, the higgest mickel (as distinct from ferro-nickel) producer, he said yesterday. Norilsk's ability to continue exporting high tonnages of nickel depended on there being no severe production difficulties and on any recovery in Russian demand for the metal.

Mr Rambaud said western

producers at present were working flat out and his group could have sold more nickel last year if it had had the capacity or tha stocks. He estimated there was only an extra 45,000 tonnes of annual capacity that would become avail-able outside Russia before 1999. According to Eramet, nickel consumption last year jumped by 13 per cent from the 1993 level, driven by demand from the stainless steel industry, the

biggest user. Consumption was forecast by the group to rise by a further 6 to 7 per cent to about 800,000 tonnes this year. By working at full stretch, western producers might lift supply from 580,000 to 660,000 tonnes. That would leave room for about 140,000 tonnes of Russian exports compared with the 160,000 tonnes (including nickel described as "scrap")

would see a small supply defi-cit in 1995, of about 10,000 tonnes, compared with a sur-plus of between 5,000 and 10,000 tonnes in 1994. Prices were unlikely to rise

above US\$4 a pound for any length of time because of Russian aupplies, Mr Rambaud suggested. Nor were they likely to fall below \$3 for long. Eramet raised nickel produc tion from 47,730 tonnes in 1993 to 50,130 tonnes last year and had set itself targets of 52,000 and 54,000 tonnes for 1995 and 1996. Before the end of this year the board was likely to give approval for a FFr2bn expansion programme that would lift capacity at the SLN subsidiary in New Caledonia to about 70,000 tonnes by the end of the decade. Mr Rambaud promised this would be timed carefully to taks account of

By Nikki Tait in Sydney

The Bajo de la Alumbrera copper-gold deposit in Argen-tina, in which Queensland's MIM Holdings and Canada's International Musto have equal shares, has been significantly upgraded and a new mine plan has prepared.

According to MIM, the project'o operator, proven and probable reserves have been lifted to 694m tonnes; last year's feasibility study put the figure at 563m tonnes. The new mine plan provides for an open-cut mine, producaverage 180,000 tonnes of cop-per and 640,000 ounces of gold a year over the 19-year life of the mine. Previously the figures were put at 170,000 tonnes of copper and 550,000 ounces of gold, and the mine development cost at about US\$780m.

The revised estimates of the mine's size may have implications for International Musto, which has effectively put itself up for sale and this month attracted an offer worth C\$12.50 a share - or US\$304m in total - from Canada's Placer Dome. However, there has

hidders, and Vancouver-based unnamed parties have conducted due diligence.

 Mr Leon Davis, chief execotive of CRA, the Australian-based mining group in which Britain's RTZ has a 49 per cent interest, said this week that discussions were continuing with Pasminco, the zinc pro-ducer, over the potential supply of "clean concentrates" from CRA's yet-to-be-developed Century mine in Queensland, and was hopeful of a resolution

"Volumes are pretty much agreed, hut other things need resolution. Of course, the most important one is price; term is another," he said.

A deal is vital to the future

of the Budelco smelter in the Netberlands, which produces about 5 per cent of the western's world zinc, as it is seen as the only means by which facility can meet future pollution restrictions. Mr Davis was speaking after CRA's annual meeting in Melbourne. Sharebolders were told that the out-

"promising". Separately, Novocoal Austra lia, the CRA unit, announced that the "Newcastle group" had won a 17 per cent price rise for semi-coking coal deliv-eries to Japanese steel mills for the contract year which began on April 1. The group - which takes in the Hunter Valley production Bloomfiald, Coal & Allied, Exxon, Novacoal, Oakbridge and Warkworth - will receive US\$42.67 a tonne, up US\$6.27 on last year. The vol-ume supplied will be

Agreement clears way for PNG gold development

By Nikki Tait

Local landowners in Lihir, the Propua New Guinean island that is at the centre of a large gold mine project, yesterday signed agreements with the PNG government and project

By Kunal Bose in Calcutta

Indian tea production in the

first four months of 1995 will

he well below the 133m kg pro-

duced in the same period last

year. This is because all tea

growing centres in the north

except upper Assam have so

far received "scanty rainfall". Weathar conditions in the

south have started improving

According to Mr S.K. Bhasin.

chairman of the Indian Tea Association; "in spite of the

unfavourable weather in the

beginning of the season, India

should be harvesting a crop of

745m kg this year, which is

nearly the same as in 1994".

The 1993 crop amounted to 758.1m kg, which, bowever,

included a fairly large quantity

of inferior tea. Leading tea bro-

kers said a clearer picture of

only recently.

developers. This represents the final step in the lengthy fouryear process of obtaining development permission, and means that work on the mine, one of the largest known ore bodies outside Sooth Africa.

contain the various compensation conditions that will apply. Ownership of the project is to be divided between the PNG government, Niugini Mining, and Britain's RTZ, ahead of a stock market flotation, and the

Lack of rain holds back Indian tea production

The landowner agreements necessary "opecial mining government earlier this year. In its third quarter report, released on Tuesday, Niugini Mining said negotiations towards securing the debt and equity financing for the project

necessary "opecial mining were "proceeding satisfacto-lease" was granted by the PNG rily", with a closing date of end-June being set for the US\$300m debt financing. The equity - likely to be around US\$450m - is due to be raised "shortly after" the debt finance

Ecuador seeks Latin American unity in EU 'banana war'

By Raymond Colitt in Quito

Ecuador, the world'a leading exporter of bananas, is crying

ister of industry and com-merce, said this week that

Latin American producers who did not subscribe to last January's framework agreement with the EU, which ascribed import quotas to Colombia, Costa Rica, Venezuela and Nicaragua, the minister Ecuador has managed to

COMMODITIES PRICES

LONDON METAL EXCHANGE

ALUMINIUM, 99.7 PURITY (5 per tonne)

BASE METALS

AM Official Kerb close Open Int. Total daily tumovar

Kerb close Open int. Total daily turnover

LEAD (\$ per torvie)

Open int. Total daily turnover

Kerb close Open Int. Total daily turnover

TIN (\$ per torus)

M ZINC, special high grade (5 pe

COPPER, grade A (5 per tonne

PRECIOUS METALS

\$ price 388.40-388.8

Loco Ldn Mean Gold Lending Rates (Vs US\$)

p/troy 0z. 353.65 359.25

399.40-401.80

£ acquiv. 243-248

I LONDON BULLION MARKET (Prices supplied by N M Rollinschild

NICKEL (\$ per tonne)

Close Previous High/low AM Official

Close Previous

Close Previous High/low AM Official

Previous High/low AM Officia Kerb close

High/low AM Official Kerb close Open int. Total daily i

ALUMINIUM ALLOY (\$ per tone

1705-15

7215-25 7220-30

7165-70

5880-60 19,376 3,816

1062-3

89,444 28,821

2769-70

117,228

 Day's black
 Deen let
 Vot

 -0.65
 128.20
 128.30
 389
 177.30

 +0.35
 127.30
 125.30
 11,025
 6,186

 +0.50
 128.30
 125.20
 1,017
 128

 +0.86
 125.20
 124.00
 28,132
 15,004

 +0.80
 525
 6,66

 +0.90
 123.60
 122.50
 4,438
 360

 43,478
 22,846

demand in Europe. In the first three months of this year Ecuador exported 27 per cent more than during the same period in 1994. Yet the country now fears that the extra cost of at least \$7 a box for an EU import licence will seriously burt its sales. The country has taken sev-

eral measures in the past year further to reduce its costs and to increase its efficiency in the production of bananas. The latest move in this direction is the introduction of a new variety of plantain that is resistant to the wide-spread sigatoka dis-

open new markets in the hectares of plantain cultiva-Middle East and Far East to tion, just in excess of the area for its total export banana procompensate for the reduced duction, It exports some 5m-6m boxes of plantain each year, principally to the US.

The genetic material for the new variety of plants came from the Honduran agricultural research foundation. FIAH, and will serve as the basis for the cultivation of some 70,000 plants to be sold by the state banana programme to the country's major producers.

"Introducing the new variety reflects the country's seriousness in eradicating the costly sigatoka disease," sald sub-secretary of agriculture, Mr Xavier leaza. He expected that in two to three years Goldfinger the new banana variety, would be ready to replace Cavendish, now the predominant export

106,80

WHEAT CBT (5,000bu mint cents/60to bushet)

-0/2 356/6 362/6 6,619 3,734 -0/6 358/2 352/2 35,131 13,338 -0/6 363/0 358/6 6,649 1,330 -0/2 375/2 371/4 5,771 1,469 -0/4 373/0 376/0 539 32 +1/0 346/0 341/4 84 33 -64,812 346/0 341/4 84 33

564/4 18,680 576/4 58,783 581/4 9,356 586/0 5,055 584/2 37,896 603/0 2,710

6,606 8,806 671 1,034 914 1,311

April 25 Comp. dady ____ 15 day average .

III No7 PREMIUM RAW SUGAR LCE (cents/tbs)

333.8 -1.7 337.0 333.8 13.636 303.5 +0.5 304.8 302.8 4,833 297.5 -0.1 297.5 297.0 2186 297.8 - 297.9 297.9 1,341 297.0 -0.2 297.0 298.3 290 297.4 +0.5 297.3 297.3 152

12.89 +0.07 13.00 12.87 20,57112,361 11.47 +0.04 11.55 11.37 64,03613,120 10.79 -0.05 10.93 10.75 33,853 3,894 10.82 -0.04 10.73 10.80 18,938 597 10.50 - 10.60 10.48 5,963 189 10.34 -0.06 10.46 10.35 5,784 81

105.95 -0.00 111.00 105.00 2.229 104.05 -2.05 106.80 104.05 20.353 4 62.32 -1.43 84.10 82.05 8.230 1 77.93 -1.32 79.45 77.70 26,508 4 79.00 -1.30 80.25 78.50 2,435 79.50 -1.00 80.85 78.50 2,435

101.75 -4.90 105.80 100.25 3,800 2,110 106.40 5.00 110.60 105.40 15,098 2,027 109.80 -5.00 114.00 109.80 6,889 603 105.80 4.85 110.00 105.30 2,215 305 107.30 -4.85 110.00 105.00 2,713 2,713 2,710 100.00 3,95 110.00 110.00 814 1 31,721 5,809

M SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ WHITE SUGAR LCE S/tonnel

 249/2
 +06
 249/4
 248/2
 38,025
 25,097

 256/0
 +06
 256/2
 255/0 131,351
 25,074

 250/4
 +02
 261/0
 259/6
 27,823
 2,171

 259/6
 262/2
 262/6 121,270
 18,771

 259/6
 02
 270/2
 269/2
 12,072
 525

 274/0
 -0/4
 274/4
 273/4
 870
 111

111.65 +0.15 111.65 111.25 193.40 -0.35 103.50 103.25 104.65 -0.80 105.00 104.75 105.75 -0.50 107.00 106.75

FREIGHT (BIFFEX) LCE (\$10/Index point

+35 +35 +33 +26 +20 +18

Sep Nov Jan Mar May Total

Seven of the world's leading tea prodocers will meet bere today to form a producers' associa-tion, reports Reuters from Colombo.

About 20 senior tea trade officials from India, Bangladesh, China, Indonesia, Iran, Malawi and Sri Lanka will attend the two-day meeting.

"It will be a joint producer association to work for the common good of tea producers. We

by the new-found concentration among the growers on the production of quality tea, "Last year, a lot of indian tea got disappointingly low prices" because of the large quantity of poor quality tea produced at the end of 1993 and in the first half of 1994, Mr Bhasin said. Having received a bad mauling at the auction centres, the growers arrived at a consensus that the focus henceforward

The federal government has given the industry a production target of 780m kg. "Ws are not chasing the target. Neither will it be possible for us to export 210m kg of tea as

should be on quality.

co-operation," said Sri Lankan Tea Board Director General Ranjith Maligaspe. Other issues discussed would depend on what

the members wanted. "I don't think matters like pricing or production limits will be discussed, but that is up to the members," said

will discuss research and technological

wanted by the government. domestic market it will this However, we will export more year be exporting a lot more CTC (cut, tear and curl) tea tea in the current year than in the country does not make the 1994," said an industry official. In sharp contrast to India, orthodox variety. Mr Bbasin Kenya, belped by good weather, is heading for a bumdid not think that the higher volume of Kenyan export would affect Indian CTC tea per tea crop in 1995. in January and February the Kenyan outsales in the UK and the other put was up nearly 15m kg to European countries. "We gen-40.2m. According to Mr Bhasin, erally export high quality tea indiscriminate plucking and where we do not meet with competition from Kenya," he uneven manufacture on many Kenyan estates also contrib-

nted to the high production It could not be denied, bowlevel. This was reflected, be ever, that there was a distinct said, in the low prices being preference for the "clear, paid for Kenyan teas at the golden liquoring of the good Kenyan tea" in many markets. Mr Bhasin was "bullish" As Kenya has only a small

about the export prospects for Indian tea this year. He expected Russia, normally a buyer of good quality tea, to huy a lot more from India in 1995. The improved Russian buying should give a boost to the Indian orthodox tea. According to Mr Bhasin, "Iran will resume buying indian tea, which it found a little too expensive in the past two years." Last year Indian tea exports fell to 149m kg from

180m in 1993. The emphasis on the production of quality tea and the improved export prospects should see Indian auction prices going up by over 10 per cent this year, according to the brokers.

in the meantime, Sri Lanka had harvested a crop of 39.2m kg in the first two months against 36.9m kg in the same period last year. According to industry officials, the production of tea continues to be encouraging in Sri Lanka.

foul over the European Union's latest import restrictions on Latin American bananao. which went into effect last Mr Vicente Maldonado, min-

Latin American producers should make a united stand to deny the EU victory in the banana war". The latest EU trade restric-tions affected principally those

1833/1762

1725-30

1725/1710 1720-30 1720-40

1088/1073 618.5-19.0

7345-50 7330-40 7350/7200 7290-300 7350-70

1062-3

2744-5 2738-40

ENERGY

At present fumigation to combat sigatoka disease represents some 40 per cent of total production costs. Ecuador has some 150,000

■ GOLD COMEX (100 Troy oz.; \$/broy oz.)

386.2 -4.0 390.3 386.0 165 33 Mey 118.55 386.2 -4.1 - 334 23.019 Jul 119.50 388.0 -4.3 392.5 387.5 96.862 14.778 Sep 104.25 381.3 -4.3 385.6 390.7 23,739 1,403 Mey 105.25

1,375 682 23,993

2,001 167 6,739

579.0 561.5 54,864 582.0 567.5 9,687

18.13 . 24.475

50.25 15.263

1,675 24,813 10,964

1.701 20,867 2,536 1,775 15,138 883 1,771 16,004 600 1,770 12,203 1,051 1,845 8,368 442 143,703 18,943

148,018 45,155

-4.3 396.0 394.2 7,170 -4.4 402.0 397.3 16,552 198,084

PALLADRUM NYMEX (100 Troy oz.; \$/tray oz.)

CRUDE Oil. NYMEX (42,000 US gails. \$/barrel)

HEATING OIL WINEX (12,000 US guils.; c/US guils.)

158.75 1.75 180.25 158.50 22.534 156.75 -1.00 157.75 158.75 23.863 158.00 -0.50 158.75 158.00 15.764 157.25 -0.25 157.76 158.75 4.885

62.05

.57.85 .37.80

the 1995 crop would emerge by the end of June. Besides the lack of rain, production is also being restricted Precious Metals continued : GRAINS AND OIL SEEDS SOFTS ■ WHEAT LCE (E per tonne) 118.55 -0.85 118.50 118.55 1.040 303 119.50 -1.00 120.20 119.25 754 132 104.25 -0.70 104.25 104.00 405 4 105.25 -0.70 105.50 105.00 2,866 63

JOTTER PAD MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000lbs; cents/lbs 941 -7 950 940 14,361 2,906 970 -6 976 970 22,833 8,378 902 -5 997 990 19,912 377 1019 -3 1023 1019 24,629 6,210 ■ COCOA CSCE (10 tonnes; \$/tonnes) E COCOA (ICCO) (SDR's/tonne) PORK BELLIES CME (40,000lbs; cents/lbs) 38.500 ·1.575 38.900 38.400 2.678 779 38.025 ·1.500 39.150 37.850 4,495 1,320 31.75 ·1.425 37.550 38.150 884 207 48.000 -0.450 48.000 47.750 169 11 47.300 -0.700 47.300 47.300 24 1 COFFEE LCE (S/tonne) **CROSSWORD** No.8,746 Set by GRIFFIN LONDON TRADED OPTIONS Aug 66 88 113 173.65 -1.30 174.60 172.20 527 177.45 -0.90 178.45 175.85 17,476 179.50 -0.95 180.25 178.00 7,741 152 125 101 -0.95 180.25 178.00 - 181.50 179.50 -1.05 182.75 181.25 33,222 9,017

London auctions

tion (4) 14 Done cold and hot (7) 15 Making sound returns? (7) 17 Is Sarah's first task to cover (7) 20 Sweet and sour (4)

(10)
25 Ask gran ahout holes in beastly jumpers (9)
26 Cockney girl's after American

imprisoned (5) attack (9)

9 Which bores Elizabeth after a 13 Colour of ruler picked up dur-

ing map exercise (10)
14 School employee ahout to take vehicle round (9) (10) 12 Pole drops round with a peti-18 Client mad about people 18 Client mad about people being cold? (9) 18 Finishes page with very good book summary (7) 19 Treat is arranged for per-

formar (7) 21 Revive father from Renfrey meat dish? (7)
19 Fruit bed after almost 30 days

Solution 8,745

CREATURE ANIMAL
R M R E U I C
AGARAGAR PRISON
V 8 I L H S 8 6
EGLAMTINE ELECT
N E S R M G E
RARE ENAMOUR

Nuts and Seeds
1984 Crop prices from Kerkko Group; US \$
por torne: karisan Pistachios 28/30 revis (in
shieti) naturally opened bround 3,300 FOT MEP;
meritat calm. US almonds (shelled) 23/25
NPSSR 5,200, FAS California: strong, US welnuts (shelled) fight halves end pieces 4,550
FAS California. Indian cashews, raw, W320, up
stightly on US buying, Spot suppless at 5,400
FOT MEP. Turidsh hazoinut kernels, 13/15
standard 1s 3,400 CSF MEP, down sightly.
Pumbkin seed: Chinese snow white, long 1,850 Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CME SCE and IPE Grude Oil are one day in arreers. Rubber (Juli)♥ Rubber (Juli)♥ Rubber (KL RSS No1) 115.25p 114.75p 440.5m 28 Cooked mest Ellen considered Cocont Of (Philis)
Palm Oil (Malay.)
Copra (Philis)
Soyabaans (US)
Cotton Outlook'A' index \$620.0y \$645.0q \$403.0u £188.0 118.40c DOWN

Kind Britisb Rail joiner (5)

Shows man is taking rest break (9)

Bargain too contrived needed RARE ENAMOUR
BEDUT TM
ASBUMEO RUOE
CCEOE BE
KOALA PETRIFLED
R LSER CSE
EXOOUS RADIATES
SPRCLR T INDICES 62.45 17,553 16,331 61,35 34,365 11,268 ■ REUTERS (Base: 18/9/31=100) 80.20 13,067 Apr 25 month ego 2331_2 2305.4 E CRB Futures (Base: 1967=100) 4 To pass away first is impolite! 1,806 Hide beneath dry tree, shiver-

M Oil PRODUCTS

Tin (Kusto Lumpur) Tin (New York)

Lon. day sugar (raw) Lon. day sugar (wie) Tate & Lyle export

\$173-174

133.0c 41.75c 14.27m 280.50c

-2.0

INTERNATIONAL CAPITAL MARKETS

Italian demand boosts EIB L1,000bn offer

By Antonia Sharpe

The European Investment Bank braved the uncertain waters of the eurolira sector yesterday when it raised L1,000bn through an offering of five-year floating-rate notes.

INTERNATIONAL BONDS

Credito Italiano, one of the four joint bookrunners, said the EIB had provided investors with a liquid and defensive benchmark deal at a time when trading in Italian government bonds was difficult. The Italien financial markets are still digesting the results of last weekend's regional and local elections.

BNL, another bookrunner, said interest from foreign investors was small because of Italy's uncertain political situation, which has led to a severe weakening in the lira. By contrast, domestic demand was strong due to the quality of EIB's name and tax exemp-tions attached to its bonds.

half of their allotments. Local banks, insurance companies and money-market funds were the main buyers.

However, by appointing four leading Italian banks as bookrunners and having a syndicate which was nearly all Italian, the EIB had the country's entire retail bank network at

This selling strategy was likely to result in a fairly quick placement of the remainder of the notes with Italian retail investors.

Although the deal was large. the nature of Italian investors suggested that there would be little secondary market trading in the notes.

The coupon on the notes was 30 basis points below threemonth lira Libor, a fairly attractive margin when compared with ontstanding EIB

Syndicate managers noted that the margin on the EIB's existing FRNs due 1998 stood at between 35 and 40 basis points below lira Libor and that if swapped into floating-

By the end of the day, the bookrunners had placed about due 1999 were yielding 60 basis

points below lira Libor. In the late afternoon, the new notes were quoted at full fees at around 99.87/90, which suggested a widening in the margin to about 26 basis points below lira Libor. However, syndicate managers expected the margin to tighten quickly as the notes found their way into

Meanwhile, the flood of fiveyear D-Mark paper continued as more issuers hastened to take advantage of the arbitrage opportunities which persisted in this area of the yield curve. "It's the only game in town but it looks like it is over now," said one syndicate manager. Some syndicate managers helieved that in excess of DM2.5bn worth of five-year

ner Bank's DM500m offering looked the most attractive. Once again spurning the fixedprice reoffer system because of the retail orientation of the deal, the bank priced its bonds to yield 30 basis points over the German government bond curve.

In the afternoon, they were quoted at 99.94, within

Borrower	Actount m.	Corbon	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS Fuji Intl.Fin.(Australia)(a)	85	8.00	102.00	May.2005	2.00		Fuji Internetional Proance
D-MARKS							APRI Assurt Williams
Credit Local de France	500	2.50	100.08R	Jun.2000	0.25R 2.00	+22(7%-00)	ABN Amrof Trinkaus Dreedner Bank
Dreadner Finance	500	6.50	101.85	May.2000	0.258	+34/7%-00)	
Société Générale Acceptance Generalitat Valencians	300 250	8.50 7.00	99.751R 99.30R	Mey.2000 May.2002	0.30R	+1883%-02)	
Centralist Affekting	230	7.00	99.341	M219/2002	0.306	+10(020-02)	DO GATE
SWISS FRANCS Casse Nationale den Autorquies	100	4.76	109.50	Jul.1999	1.75	-	UBS
TALIAN LIRE European Investment Bankt	1000bn	0.A	100.15	Jun.2000	0.30	-	BCI/BNL/Credito/Sen Paok
LUXEMBOURG FRANCS							
Bayerische Landesbank	2bn	7.875	102.55	Jun.2006	2.00	-	BCEE/ BIL
Bremer LB Finance(f) GECO(f)	25n	7.25 7.00	102.40	Aug.1999 Aug.1999	1.625	-	Crédit Euro / Krediethank BGL/ Banque Peribes Luc
	2011	7.00	103,863	ALIG. 1869	1,020		BOLL BEIGGE PERSES LINC
AUSTRALIAN DOLLARS							
New Sth. Wales Transury Corp.	100	10.00	100.625	Jun.2005	2.125	-	Hambros Benk
Treasury Corp. of Victoria*	100	4.50#	89.245	May.1968	1.375	•	Nomuna international

paper was unsold.

Mid-range under pressure ahead of US auction

By Lisa Bransten in New York and Graham Bowley in London

The edges of the maturity spectrum outperformed the centre yesterday as US Treasury bonds of mid-range maturities came under pressure from new supply due to be auctioned later in the afternoon.

GOVERNMENT BONDS

The 30-year bond drew some support from clack metal prices and a stronger dollar and by midday it was off $\frac{1}{2}$ at $103\frac{1}{1}$ to yield 7.333.

The dollar climbed against both the Japanese yen and the D-Mark after members of the

BENCHMARK GOVERNMENT BONDS

harbarache administration of the control of the con

nations announced late on Tuesday that they had agreed together to stabilise foreign exchange markets. Near noon the US currency was trading at Y83.90 and DM1.3775 compared with Y81.93 and DM1.3708 late on

Tuesday. At the short end of the market, the two-year note was aided by rumours that the Federal Reserve was buying shorter term securities for another central bank, and that issue lost 🔒 at 99¼ to yield

Meanwhile, bonds maturing in five to 10 years all slipped nearly a quarter of a point with the yield on the 10-year note inching over the 7 per cent range. Traders attributed Group of Seven developed some of that weakness to a

supply to be released on to the market later yesterday afternoon through an auction of \$11.5hm in five-year notes.

Also weighing on the market yesterday were figures showing stronger-than-expected economic activity. The Commerce Department said yesterday that durable goods orders had increased 0.6 per cent in March, while the consensus estimate among economists had been for a 0.4 per cent

■ Comments by Mr Hans-Jurgen Krupp, a Bundesbank council member, indicating that Germany's inflation outlook has improved and that there may be a further cut in German interest rates, boosted German government bonds.

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Both cash and futures markets surged in late trading, although the June hand futures contract failed to breach the key 93.00 resistance level and 10-year yields fell

cent The Bundesbank left the repo rate unchanged at 4.51 per

back to around 7.03 per cent

after failing to reach 7 per

 Strong demand for the Bank of England's auction of £2bn five-year gilts pushed UK government bonds higher.

The auction was covered 2.17 times, well above market expectations, with a tail - the difference between the highest accepted yield and the average accepted yield - of zero, a top yield of 8.3 per cent and a lowest accepted price of 98%. The Bank of England said

that tap issues of 2% per cent index-linked Treasury stock due 2009 and due 2020 had been exhausted and was no longer operating as a tranchette. The long gilt future on Liffe rose # point to settle at 1044.

French government bonds rose as bunds pushed higher and as the political risk following the first round of the presidential elections diminished. The June notional futures

contract on Matif rose 0.32 point point to 113.34 The yield spread over bunds was broadly flat at around 77 basis points. This compares with a spread of 85 basis points before the election at the week-

Price Indices UK Gitts

Up to 5 years (23) 5-15 years (21) Over 15 years (9) Irredeemables (6)

FT-ACTUARIES FIXED INTEREST INDICES

179.47

Wed Day's Apr 26 change %

Swiss delay start-up of electronic bourse

By Conner Middelmann

The Swiss Exchange has postponed the planned start of its Swiss Electronic Bourse (EBS) from June until September.

The board of directors has determined that the stability of the new system does not yet meet the high quality standards that have been set," the exchange said.

The June deadline had not allowed enough time to test the system and encourage exchange members to join the EBS, it said.

"The additional time will make it possible to achieve the required system stability and the willingness to become members that will ensure the transition to electronic trading goes smoothly," the exchange added.

The first simulation of a full trading day has been postponed from May 20 to June 24.
As a result of the delay and bolidays in July and August, the gradual shift to electronic trading from the current system of floor trading will begin in September, the exchange

Once electronic trading is fully implemented, all bond, stock and options transactions currently done on the Zurich, Geneva and Basle stock exchanges will be executed on the EBS.

Deutsche Telekom, Germany's state-owned telecommunications group, has selected Dewe Rogerson, the UK investor relations agency, from a shortlist of five as its global communications adviser for its International

flotation early next year. Telekom plans to place some DM15bn of sheres among international investors early next year, with a second offering of a similar size expected

1.74 2:1 1.86 -0.20 1.73

119.08 141.43 158,21

S Africa expands into three-year area with \$50m facility

By Antonia Sharpe

South Africa made further inroads into the international capital markets yesterday when the state-owned Industrial Development Corporation of South Africa obtained a three-year \$50m syndicated revolving credit facility.

Fuji Bank, which arranged the loan with Henry Ansbacher, said it was the first three-year syndication for a South African institution and followed a number of one-year bank facilities.

The longer maturity of IDC's loan reflects the growing confidence which international lenders have in South Africa since the end of apartheid.

The actual borrower is Findevco, a special-purpose financ-

ing subsidiary wholly owned and administered by the IDC.

Its function is to provide loan finance to industrial clients, with the focus on small to medium-sized companies: IDC. which was set up by an act of parliament in 1940 as a selffunding source of finance to industry, is the guarantor.

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IDC will pay an annual margin of 75 basis points over the London interbank offered rate (Libor) when it draws on the facility. The commitment fee on the undrawn element of the loan is 37.5 basis points. Lead managers taking up \$10m of the loan will earn a fee of 30 basis points, managers taking up between \$7.5m and \$9.9m will earn 25 basis points and co-managers taking up between \$5m and \$7.4m will earn 20 basis points.

There is a participation fee of 10 basis points for banks taking up \$2.5m to \$4.9m.

First contracts on Brady bonds planned by Finex

— Low coupon yield — — Medium coupon yield — — Fight coupon yield — Apr 26 Apr 25 Yr, ago Apr 26 Apr 25 Yr, ago Apr 26 Apr 25 Yr, ago

7,74 7,90 7,90

8.33 8.37 8.37

By Graham Bowley

Finex, the financial futures arm of the New York Cotton Exchange, is planning to launch the first futures and options contracts on Brady

The contracts will be based on a composite of Mexican. Argentinian, Brazilian and Veneznelan Brady bonds, paper issued by governments in exchange for distressed com-mercial bank debt.

It hopes to launch the contracts in late spring, subject to regulatory approval from the Commodities Putures Tracing Commission, one of the bodies which oversees US financial markets.

The contract will be traded in New York and In Dublin, where Finex opened a new

4.27 6 yrs 4.13 15 yrs 4.74 20 yrs 6.12 kred.† 4.34

floor-traded exchange last year. Mr Peter Burton, director of development at Finex, said, "We have seen the size and liquidity of the Brady cash market grow and the upheaval eince December has focused people'a attention on the risks involved in these markets..

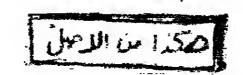
"The new contracts will prove to be useful instruments for transferring risk."

Brady bond markets suffered extreme volatility following the devaluation of the Mexican peso in December, which caused a meltdown in most emerging bond markets.

Dealers in Brady bonds, who have been limited mainly to over-the-counter derivative products for hedging purposes during this year's turbulence, welcomed the innovation.

Australia											-				•
Austria		9.000 7.500		95.0300 101.1560	+0.120	9.82 9. 7.32 7.	7.55 38 7.55	9250 9300	0.T4 0.45	0.65 0.44			0.32 0.8 0.53 1.1		1.12
Belgium		6.500	03/05	90.9500	+0.370	7.84 7.	95 8.17	9350	8.26	0.29	0.43	0.55	1.4	5 1.59	1.71
Canada * Cenmar		9,000	12/04 12/04	102,9000 89,4000	+0.050		69 8.59 80 9.03	Est, vol. to	44. Colls 267	77 Puts 881	4. Previous	day's open	rc. Cafe 153	091 Pura 130	Q73
France	BTAN	8 000	05/98	101.0900	+0 050	7.59 7.	60 7.27	Italy							
Germany E	OAT	7.500 7.375	04/05 01/05	98.0500 102.1800	+0.250		90 8,05 11 7,29		MAL ITALL	AN GOVE	BOND (B	TP) FUTU	RES		
keland	2010	5.250	10/04	83.7000	+0.150	6.83 8.	83 8.81		" Lira 200rī						
Rady	No 113	9 500	01/05	50.8300 108.9590	+0.350 +0.217	13.G4† 13. 2.56 2.			Open	Sett pric	ce Change	High	Low	Est. vol	Open Int.
Japan	No 174	4,600	06/39 03/04	109,0800	+0.231		58 3.47 32 4.07	Jun	93.47	94.08	+0.74	8123	93.47	43291	45504
Netherland	is	.150	03/05	104,3000	-0.300	7.12 7.	20 7.46	5ep		93.43	+0.74			0	141
Span		11.875	02/05 02/05	97.7500 88.0400	+0.100	12.26 12. 12.11 12.			N COVI. B		·	SOPTION	S (LIFFE) U		ns of 100%
5Weden		6.000	02/05	69.3010	+0.435	11.3S 11.	52 11.26	Strike Price		Jun C	ALLS -S		Jun	· PUTS -	Sep
OK CITIZ		6 000 8.500	08/99 12/05	92-07 101-00	+8/32 +10/32		26 8.42 43 6.50	9400		0.96	1.9		0.30		2.50
		9.000	10/08	105-04	+10/32	8.36 8.	42 8.S1	9450		0.72	1.7	1	1,14		2.78
US Treasu	ry .	7.500 7.625	02/05 03/25	103-10 103-13	-3/32		06 7.14 39 7.39	9500		0.52	1.5	_	1.44		3.08
ECU (Frenc	ch Govi)	6.000		86.7100	+0.120		25 8.53	EST. VO. IC.	A COR 201	4 1-453 1410	r Manages of	ay al cabasu iu	L, Cales 4558	s rue appar	
	ny, Tion Yo						market standar	Spain							
	LIF in Tands.			cont payable b	y nonresi		ANTS Interrestors	M NOTIC	NAL SPAN	ISH BONE	FUTURES	(MEFF)			
			T-						Open	Sett pric	e Change	High	Low	Est. vol.	Open Int.
US INT	TEREST	RAT	ES					Jun	82.70	82.67	+0.02	82.88	82.53	41,805	60,154
Lunchtime				Treasury	Bals and	Bond Yields		Sep	•	82,10		•		•	S
Prime rate .		9	One month Two month			FO YOU	6.5	UK							
Broker toan ra	ais	642	LULDA WOURD***		5.87 F	AGG AGGL.	6.8	M NOTIC	NAL UK GI				32nds of 10		
Fed funds Fed funds at I		e₁ë	So, month One year		E.04 10)-year)-year	6.8 7.0 7.3		Open	Sett pric	_	High	Low	Est, vol	Open Int.
								Jun Sep	103-23	104-02	+0-11	104-09		104	86230 777
													64ths of 10		
								Strike			ALLS -			· PUTS —	
								Price	Jun	1/1	Aug	Sop	Jun Ju		Sop
BOND	FUTUR	ES A	ND OP	TIONS				104	0-50	0-63			46 1-1		1-54
								105 106	0-23 0-09	0-38 0-22			-19 1-5 -05 2-4		2-27 3-06
-								Est. vol. to			, Previous da			Publ 39056	
France		~						-							
M MOTIO				S (MATIF) FE				Ecu	CAID SING	DEE 0447		•			
	Open	Sett pr	-		Los			ECO 6	OND FUTU	-				C-1	O I
Jun Sep	113.10 112.70	113.3							Open ea zo	Sett pric	_	High	Low	Est. vol. 2,674	Open Int. 9.146
Dec	112,44	112.6						Jun	83.70	83.68	+0.20	83.98	83.68	2,014	8,140
	TERM FRE	NCH BO	NO OPTIO	NS (MATIF)											
E LONG	I PLANT LAST														
Strike			CALLS		_	- PUTS		US							
Strike Price	Ma		Jum	Sep	May	Jun	Sep		EASURY B	ידטיל כואס	JRES (CET)	\$100,000	32nds of 10	10%	
Strike Price			Jun 2.45		ra.0	Jun 0.14			EASURY BO	OND FUTT	JRES (CET) Change	\$100,000 High	32nds of 10	Est. vol.	Open int.
Strike Price	Ma - - 0.3	8	Jum	Sep 2.02 1.45	•	Jun 0.14 0.28 0.61	Sep 1.25 1.66	I US TR	Open 105-14	Latest 105-10	Change -0-04	High 105-19	Low 105-08	Est. vol. 283,717	354,732
Strike Price 111 112 113 114	Ma -	8	Jun 2.45 1.55 0.68 0.41	2.02	0.01 0.01	Jun 0.14 0.28	1.25	Just TRI Sep	Open 105-14 104-31	105-10 104-28	Change -0-04 -0-05	High 105-19 105-03	Low 105-06 104-24	Est. vol. 283,717 1,559	354,732 20.848
Strike Price 111 112 113 114 115	Ma - 0.3 0.0	y 8 1	Jun 2.45 1.55 0.68 0.41 0.13	2.02 1.45	0.01 0.01 0.06	Jun 0.14 0.28 0.61 1.12	1.25 1.66	I US TR	Open 105-14	Latest 105-10	Change -0-04 -0-05	High 105-19	Low 105-06 104-24	Est. vol. 283,717	354,732
Strike Price 111 112 113 114 115	Ma - 0.3 0.0	y 8 1	Jun 2.45 1.55 0.68 0.41 0.13	2.02 1.45	0.01 0.01 0.06	Jun 0.14 0.28 0.61	1.25 1.66	Just TRI Sep Dec	Open 105-14 104-31 104-15	105-10 104-28	Change -0-04 -0-05	High 105-19 105-03	Low 105-06 104-24	Est. vol. 283,717 1,559	354,732 20.848
Strike Price 111 112 113 114 115	0.3 0.0 0.0 0.1 0.1	y 8 1	Jun 2.45 1.55 0.68 0.41 0.13	2.02 1.45	0.01 0.01 0.06	Jun 0.14 0.28 0.61 1.12	1.25 1.66	Ant Sep Dec Japan	Open 105-14 104-31 104-15	105-10 104-28 104-12	-0-04 -0-05 -0-02	High 105-19 105-03 104-15	Low 105-06 104-24	Est. vol. 283,717 1,559 591	354,732 20.848
Strike Price 111 112 113 114 115 Est. vol. lots	Ma 	9 8 1 38 Puts	Jun 2.45 1.55 0.88 0.41 0.13 21,055 . Pres	2.02 1.45 	0.01 0.01 0.06 - - pen Int., C	Jun 0.14 0.28 0.61 1.12	1.25 1.66 - - Puts 220,976.	Ant Sep Dec Japan	Open 105-14 104-31 104-15	105-10 104-28 104-12	-0-04 -0-05 -0-02	High 105-19 105-03 104-15	105-06 104-24 104-10	Est. vol. 283,717 1,559 591	354,732 20.848
Strike Price 111 112 113 114 115 Est. vol. lots	Ma 	9 8 1 38 Puts	2.45 1.55 0.88 0.41 0.13 21,055 . Pres	2.02 1.45 nous day's op	0.01 0.01 0.06 - - pen Int., C	30n 0.14 0.28 0.61 1.12 	1.25 1.68 - - - - - - - - - - - - - - - - - - -	Ant Sep Dec Japan	Open 105-14 104-31 104-15 NAL LONG Y100m 100	105-10 104-28 104-12	-0-04 -0-05 -0-02	High 105-13 105-03 104-15 30VT. BO	105-06 104-24 104-10	Est. vol. 283,717 1.559 591	354,732 20.848
Strike Price 111 112 113 114 115 Est. vol. lots	Ma 0.3 0.0 0.1 ML Calls 11.7 MAL GERM Open 92,59	9 8 1 38 Puts IAN BUN	2.45 1.55 0.88 0.41 0.13 21,055 . Preside Change	2.02 1.45 nous day's op 85 (LUFFE)* D	0.03 0.01 0.06 - en int., C	Jun 0.14 0.28 0.61 1.12 	1.25 1.66 	Jun US TRI Sep Dec Japan Norto (LIFFE)	Open 105-14 104-31 104-15 NAL LONG Y100m 100 Open 116.97	105-10 103-28 104-12 1 TERM Jo	Change -0-04 -0-05 -0-02 -0-02	High 105-03 104-15 30VT. BO	105-06 104-24 104-10 104-10 ND FUTURE Low 116.60	Est. vol. 283,717 1.559 591 Est. vol. 6117	354,732 20,848 2,057 Open int.
Strike Price 111 112 113 114 115 Est. vol. late Germa	Ma 0.3 0.0 o.1 Calk 11.7	8 1 38 Puts Sen BUN Sen pr	2.45 1.55 0.88 0.41 0.13 21,056 . Preside Change	2.02 1.45 nous days op 85 (UFFE)* D	0.01 0.01 0.06 - pen int., C	Jun 0.14 0.28 0.61 1.12 	1.25 1.66 	Jun Sep Dec Japan Nonco (LIFFE)	Open 105-14 104-31 104-15 NAL LONG Y100m 100 Open 116.97 116.09	105-10 103-28 104-12 104-12 TERM J Oths of 10 Close	Change -0-04 -0-05 -0-02 APANESE (High 105-03 104-15 30VT. BO High 117.06 118.18	105-06 104-24 104-10 104-10 ND FUTURE LOW 116.60 115.73	Est. vol. 283,717 1.559 591 Est. vol. 6117 2990	354,732 20.848 2,057 Open int.
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Strike Price 111 112 113 114 115 Ent. vol. lon Germa Notroi	Ma 0.3 0.0 0.1 ML Calls 11.7 MAL GERM Open 92,59	8 8 1 1 38 Puts MAN BUSN Seft pr 92.92	2.45 1.55 0.82 0.41 0.13 21,055 - President Change 2 +0.31 +0.31	2.02 1.45 nous days op 85 (UFFE)* D	0.03 0.01 0.06 - en int., C	Jun 0.14 0.28 0.61 1.12 	1.25 1.66 	Jun Sep Dec Japan Nonco (LIFFE)	Open 105-14 104-31 104-15 NAL LONG Y100m 100 Open 116.97 116.09	105-10 103-28 104-12 104-12 TERM J. Oths of 10 Close	Change -0-04 -0-05 -0-02 APANESE (High 105-03 104-15 30VT. BO High 117.06 118.18	105-06 104-24 104-10 104-10 ND FUTURE LOW 116.60 115.73	Est. vol. 283,717 1.559 591 Est. vol. 6117 2990	354,732 20,848 2,057 Open int.
Strike Price 111 112 113 114 115 Ent. vol. lon Germa Notroi	Ma 0.3 0.0 0.1 Mal. Calls 11.7 Mal. GERM Open 92.59 92.08	8 8 1 1 38 Puts MAN BUSN Seft pr 92.92	2.45 1.55 0.82 0.41 0.13 21,055 - President Change 2 +0.31 +0.31	2.02 1.45 nous day's op 28 (LIFFE)* D 38 (LIFFE)* D 4 1 93.01	0.03 0.01 0.06 - en int., C	Jun 0.14 0.28 0.61 1.12 	1.25 1.66 	Jun Sep Dec Japan Nonco (LIFFE)	Open 105-14 104-31 104-15 NAL LONG Y100m 100 Open 116.97 116.09	105-10 103-28 104-12 104-12 TERM J. Oths of 10 Close	Change -0-04 -0-05 -0-02 APANESE (High 105-03 104-15 30VT. BO High 117.06 118.18	105-06 104-24 104-10 104-10 ND FUTURE LOW 116.60 115.73	Est. vol. 283,717 1.559 591 Est. vol. 6117 2990	354,732 20,848 2,057 Open int.
Strike Price 111 112 113 114 115 Ent. vol. lon Germa Notroi	0.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	8 1 1 38 Puts AN BUSA Sen pr 92.92 92.34	245 2.45 0.68 0.41 0.13 21,066 . Provide Change ! +0.31 +0.31	2.02 1.45 nous day's op 85 (LIFFE)* D ps High 1 93.01 1 92.36	0.03 0.01 0.06 - - - - - - - - - - - - - - - - - - -	Jun 0.14 0.28 0.61 1.12	1.25 1.68 	Jun Sep Dec Japan Nonco (LIFFE) Jun Sep LIFFE Man	Open 105-14 104-31 104-15 NALL LONG Y100m 10 Open 116.97 116.09	Latest 105-10 104-28 104-12 104-12 I TERM July Oths of 10 Close	Change -0-04 -0-05 -0-02 APANESE (High 105-13 105-03 104-15 3GVT, BO High 117.06 118.18 proset Rgs. at	Low 105-06 104-24 104-10 NO FUTURE Low 116.60 115.73	Est. vol. 283,717 1.559 591 Est. vol. 6117 2590 csy.	354,732 20.848 2,057 Open int. 0
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Strike Price 111 112 113 114 115 Est. vol. lots Germa NOTIO Jun Sep Sharter (Une Exth 10 lapt 14pt 1995 15 lapt 199	0.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	938 Puts 38 Puts Sen pr 92.92 92.34 11 (-) = 1	245 2.45 0.68 0.41 0.13 21,066 - Preside Change 2 +0.31 +0.31 67 671 100%	2.02 1.45 1.45 28 (UFFE)* D 2.36 1.93.01 92.36 4.07 - Mg/n	0.01 0.06 	Jun 0.14 0.28 0.61 1.12	1.25 1.66 1.66 2.09 100% 100% 100% 100% 100% 100% 100% 10	Jun Sep Dec Japan Norto (LIFFE) Jun Sep LIFFE and Red Artos (LIFFE and Red 107 & 843 107 & 844 12234	Open 105-14 104-31 104-15 104-15 104-15 104-15 104-15 104-15 104-15 106-15 116.09 107-16 116.09 107-16 107-	Latest 105-10 104-28 104-12 10	Change -0-04 -0-05 -0-02	High 105-13 105-03 104-15 30VT. BO High 117.06 118.16 Moles (67-9) (78.5)	Low 105-06 104-24 104-10 104-10 Low 116-60 115-73 7 by provided	Est. vol. 283,717 1.559 591 Est. vol. 6117 2590 est 2-2073 - 2-2 82-34 + 2-2 82-24 + 2-	354,732 20.848 2,057 Open int. 0 0 0 1996
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CURRENCIES AND MONEY

MARKETS REPORT

Dollar stages surprise rally on exchange markets

rally on the foreign exchanges yesterday despite the failure of the G7 meeting in Washington to deliver any tangible support package, writes Philip Gawith.

The US currency was the beneficiary of a combination of factors, including rumnurs about the death of Chinese leader Deng Xianping, and renewed speculation about the possibility of a fall in German

interest rates. Market sentiment in the run-up to the G7 meeting had also reached such an extreme of pessimism that some sort of rebound was not surprising. The dollar rallied by around three yen and two D-Marks before closing in London at

Y84.125 and DM1.3811. D-Mark weakness against the dollar spread to Europe with the German currency finishing lower against most crosses. Against the French franc it finished at FFr3.522 from FFr3.533. The Swedish krona also made up a lot of ground to

POUND SPOT FORWARD AGAINST THE POUND

The dollar staged a surprise close at SKr5.308 from however, to prompt a rally on the foreign exchanges SKr5.384. short-term rally in the cur-The firmer dollar and expectations of rising UK interest rates helped sterling rally. Against the D-Mark it finished at DM2.2248, from DM2.2031, while it was barely changed

against the dollar at \$1.6108.

about the dollar has two components. First, it will fall further. Second, it has already fallen so far that some people are starting to buy it. The two are not contradictory. All that is at issue is the timing.
In the words of Mr Carl

Pound in New York Apr 26 ----Latest--- - Prev. class --

Weinberg, of High Frequency Economics in New York, the G7 communique was "eight paragraphs that will not shake the world." It was sufficient,

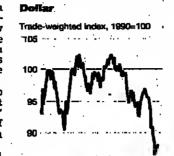
rency. And traders are now reporting twn way trade in the dollar, which is more than could be said in recent weeks when there was precious little

huying pressure. The currency has fallen to such low levels as to prompt some genuine buying interest," said Mr Robin Marshall, chief economist at Chase Manhattan

On a sbort-term technical basis, the dollar also looks quite healthy, and analysts are predicting it could rally for a few days. The longer term fun-damentals, however, remain unchanged, and it is for this reason that traders expect the dollar still to trade lower. Market wisdom has it that

after a move of this magnitude, some signal political or economic event is required to reverse the trend.

■ Short-dated UK money market rates continued to creep rates will rise after the May 5



93

upwards, with 3 month money reaching 7 per cent, up from 6# per cent. Overnight money was slightly easier, though, with the Bank of England clearing a £700m shortage at established rates. It traded in the 4-6% per cent range.

A Reuters poll of 20 City economists found that 95 per cent believe Britain's interest

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mnnthly monetary meeting.
Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "It will be difficult for the Bank of England nnt to raise rates unless they get some supportive data." Sterling has risen in the past few days, partly because of the perception of bigher rates, and would be very vulnerable to any disap-

pointment on this front. The deciding factor could be the purchasing managers survey next Monday. A deterioration in the prices component would almost certainly seal a rate rise.

■ The Bundesbank's 1994 annual report drew a clear link between the state of government finances in various European countries and the strength of their currencies.

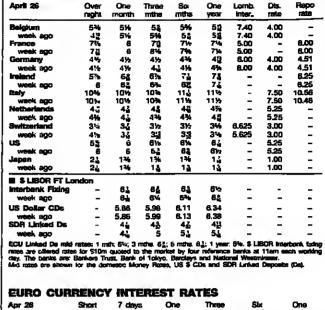
"Overall there is the impression that the Maastricht convergence criteria are increasingly serving as a guideline for the assessment of currencies,"

the report said. Noting that the weakness of the dullar had axacerbated these problems, the bank added: "In view of these developments the desired increase in cobesion among European currencies_evidently requires more forceful efforts by EU countries to improve economic and fiscal stability."

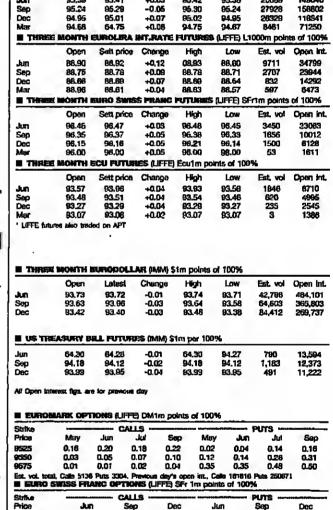
The report also said that the stronger D-Mark improved Germany's inflation nutlook. Adding to this bullish inflation outlook were comments from Mr Hans-Juergen Krupp, a Bundesbank council member. He said further speculation about lower interest rates was legitimate as the current discount rate, of 4 per cent, was

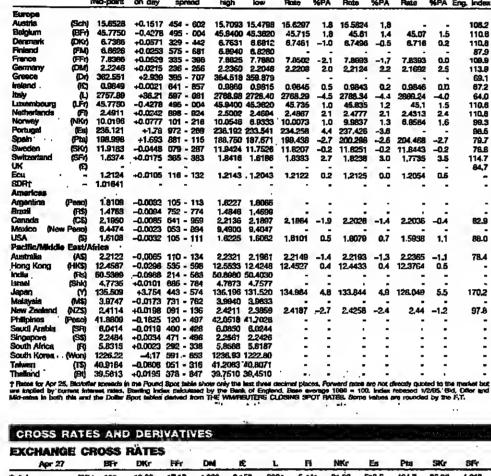
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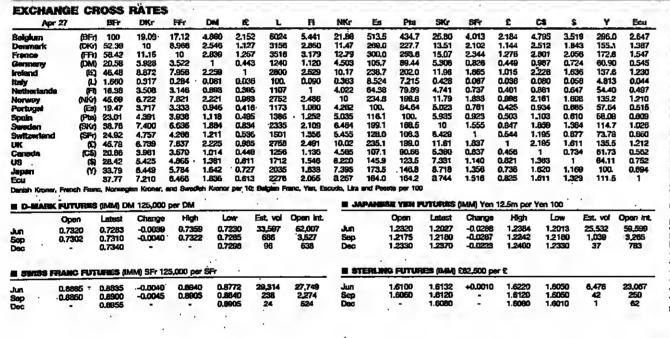
"not particularly low".



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	(CM)	1.3811	+0.0151				1.3793	1,9	1.3757	1.6	1.3601	1.5	113.1		3.43 3.50	93.47	+0.07 +0.05	93.58	93.49	4,532 2,844	35,304 22,946
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	(NKI)	6.2180		155 - 205		6.1361	6.215	0.6	6.2067	0.7	6.1805	0.6	96.3	Jun	-	93,72				0	565
	(Es)	145.965	+1.376			144.240	146.465	-4.1	147.61	-4.5	152,905	-4.9	96.6	Sep	-	93.60	-0.01	-		0	349
	(Pta) (SKr)	123.540 7.3369	+1.29	490 - 590 316 - 426		122.350 7.2844	123.86 7.3541	-3.1 -2.6	124.54 7.3889	-3.2 -2.6	128.185 7.5769	-3.8 -3.3	79.2 75.3	Dec	-	93.40	-0.01	-	-	0	256
•	(SFr)	1,1407		403 - 410			1.1381	2.8	1,1333	2.5	1.1112	2.6	113.6	Mar	•	93.40	-0.02	-	-	0	0
•	(E)	1,6108		105 - 111			1.6101	0.5	1.6079	0.7	1.5938	1.1	83.5	III THREE MO	NTH E	UROMARK	FUTURE	S (LIFFE)	DM1m po	ints of 100%	
	-	1.3286	-0.0143	280 - 292	1.3405	1.3252	1.3283	0.2	1,328	0.2	1.3265	0.2		-	pen	Sett price	Change	High	Low	Est. voi	Open in
	-	0.63092		-	-			-		-	-	-	-	ž.	5.39	95.41	+0.03	95.42	95.38	20089	149040
	(Peso)	1,0001	_	000 - 001	1,0001	1.0000			_	_	_	_	_		5.24	95.29	-0.05	96.30	95.24	27928	158802
	(F35)	0.6165		196 - 170				-		:		- :			4.95	95.01	+0.07	95.02	94.95	26329	118941
	(CS)	1.3627		624 - 630			1,3851	-2.1	1,3686	-1.7	1,3798	-1.3	61.1	Mar 9	4.68	64.75	+0.08	94.75	94.67	8461	71250
Ne	Peso)	5.8650	+0.01	400 - 900	5.8950	5.B200	5.8673	-0.5	5.8704	-0.4	5,8753	-0.2		THREE MO	NTH E	UROLIRA	NT.RATE	FUTURE	18 (L4FFE) L	.1000m poln	ts of 1005
	(3)		-	-	•	-	•	-	-	•			88,4	0	pen	Salt price	Change	High	Low	Est, vol	Open in
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	(HKS)	7.7332		327 - 337		7.7325	7,7314	0.3	7.7309	0.1	7.7467	-0.2			3,75	88.78	+0.09	88.78	88.71	2707	23944
	(F3s)	31.3750		700 - 800		31.3700	31,455	-3,1	31.7	-4.1					3.66	88.69	+0.07	88.60	88.64	832	14292
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Section Alexander

LONDON STOCK EXCHANGE

New 1995 peaks as currencies help sentiment

By Terry Byland, UK Stock Market Editor

Base rate worries were temporarily sidelined yesterday, as the pound benefited from an unexpectedly firm performance by the US dollar in the wake of the meeting of G7 ministers. The FT-SE 100-share Index, and the broader ranging FT-SE Mid 250 and FT-SE-A 350 indices, all closed at new 1995 peaks, encouraged also by a favourable response to the day's auction of £2bn in government securities.

But UK strategists remained convinced that domestic base rates will be raised soon, perhaps by half a a strong UK bond market as the point, when the chancellor of the auction of government securities

exchequer and the governor of the Bank of England meet next week. The FT-SE 100 Index finished 11.3

up at its new 1995 high of 3,2262, having touched 3,231.3 earlier in a somewhat erratic session. The first half-bour of dealing saw the Footsie index sink to within five points of 3,200 as the market shied away ahead of the gilt-edged auction. But currency markets stood up well to the announcement overnight from Washington that the G7 ministers had not proposed any immediate intervention or interest rate moves to belp the dollar.

A firm pound was soon joined by

proved successful. Equities reversed their losses and, taking their lead from stock index futures, moved ahead sharply. The upswing saw a 10-point fall on the Footsie turned into a gain of nearly 16 points well before midsession.

At least one buy programme from a leading UK house was identified and some traders believed that other similar moves were in the pipeline. Speculation that a major takeover bid was overhanging the market also helped sentiment.

VSEL, the submarine manufacturer, declared a special dividend payment and the market anticipated an early monopoly ruling on the takeover bids for the company

by GEC and British Aerospace. Share gains held up well until the gilt-edged market turned back and Wall Street opened lower following publication of strong durable goods orders in the US, which revived fears that interest rates could soon be forced higher. Profit-taking. some from across the Atlantic, took the top off the blue chip stocks but the broader markets held firm.

The FT-SB Mid 250 Index, which extends the Footsie list into a range of industrial and capital goods companies, added 6.1 at a 1995 peak of 3,517, while the FT-SE-A 350 Index gained 5 for a 1995 high of 1,600.8.

Trading volume in equities was good, with nearly 673m shares dealt

the chances of the bank gain-

ing control of the National &

Bank of Scotland's prelimi-

nary numbers were deemed satisfactory and the shares

edged up to 220p in some

aggressive two-way trading.
Inchcape continued to

recover, rising 7 to 334p for a

three-day advance of close on 7

per cent. The shares, which

stood at 430p earlier this year

prior to two profits warnings,

have been subject to broker

buy notes plus vague if persis-

in early trading on continued positive sentiment after com-

ments made at Monday's

annual general meeting. The

later, on a rumour that BZW

THE ROYAL BANK OF CANADA

U.S. \$350,000,000 Floating Rate

Debentures due 2005

Conditions of the Debentures, the

been fixed at 63% per aroum. On 31st May, 1995 interest of U.S. 55.614583 per U.S. \$1,000 normal

amount of the Debentures will be

due for payment. The rate of interest for the period commencing 31st May, 1995 will be determined on

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

May, 1995 will be

26th May, 1995.

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the house broker, had turned

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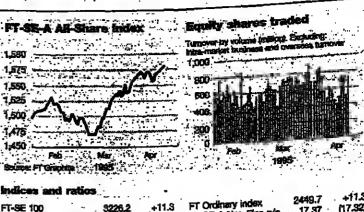
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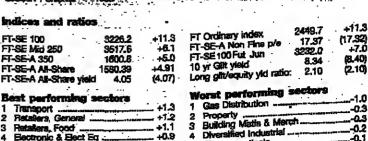
tent takeover talk.

Provincial Building Society.

through the Seaq network, com-pared with 77im on Tuesday. Non-Footsie stocks provided about 55 per cent of the total. However, retail, or customer business in equities was worth £1.58bn, a shade under recent daily figures.

The stock market is expected to focus on domestic factors for the rest of the week, with the hig investment institutions likely to. become increasingly nervous of a rise in domestic base rates. Rate worries will also imply further concern over the outlook for the US dollar and for sterling. Some traders believed that underlying bid speculation had sustained the stock market yesterday.





FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

FT-SE MID 250 INDEX FUTURES (LIFFE) \$10 per full index point

FT-SE 100 MIDEX OPTION (LIFFE) (*8224) £10 per full index point

+5.0

Open Sett price Change

3232.0 3254.0

3535.0

Open Int.

70022

LOW

Buyers see Arjo move

Paper group Arjo Wiggins Appleton topped the list of strong Footsie performers. The shares notched up a gain of more than 3 per cent as what one dealer described as "some squeezy buying" combined with bid speculation.

The sector has been crackling with takeover fervour since Smurfit filed a bid document for Papeteries du Limousin, and International Paper made a hostile move on Holvis. of Switzerland.

Paper companies prefer to grow by acquisition and Arjo is a classic target, as St Louis, of France, has a 40 per cent stake. which has long been considered up for grabs.

The French stakeholder has said it has no Intention of offloading its shares and some analysts believe a merger might be more likely. But nothing bas deterred the market and Arjo's shares have surged more than 20 per cent since the middle of February. They rose 8 to 268p vesterday.

VSEL alert

The VSEL bid situation sprang to life, with the group paying a bumper dividend and speculation mounting that Britisb Aerospace could eventually emerge as the winner in any bid battle for the subma-

advanced to new highs for the around £6.75m.

year, BAe jumping 14 to 534p in 2.8m turnover and VSEL adding 20 at 1675p. Electronics giant GEC, which like BAe is hidding for VSEL, put on 4

A monopolies ruling on the two takeover offers is due shortly, possibly early next week according to market talk. In the meantime, VSEL bas increased its dividend from 34p a share to 42p. The payout, up to 5p more than the stock market expected, was seen by analysts as a move by VSEL to bolster its share price ahead of

any formal offers. BAe has an all-share offer on the table worth 1780p per share and substantial tax losses in hand to cushion the cost of the deal. Market betting was that GEC's cash hid of 1400p was looking increasingly isolated.

Zeneca falls

Pharmaceuticals group Zeneca fell 7 to 912p on continuing speculation that it might move in with a bid at around 225p a share for Fisons. Few traders were prepared to take the rumour seriously. Most saw it as an old spin being used to revive interest in the possible link between Fisons and Medeva. The latter, which is believed to be looking for a hid of ahove 300p per sbare, shed 7 to 244p, while Fisons added a penny at 185p.

Healthcare group Bespak plummeted 50 to 253p after the company, which manufactures aerosol components, warned that current year profits would be lower than the previous year's. Analysts were cutting forecasts for the year ending Both companies' shares April 1995 by about £12m to

British Gas attracted persistent flurries of selling pressure, closing a net 3 lower at 300%p after good turnover of 8.3m, as the market began to take fright at comments attributed to Ms Clare Spottiswoode, the Ofgas

regulator.
She was said to have threatened to link the deterioration in the quality of service to a review of domestic prices. Energy sector specialists said the market had taken the news

badly, "If Gas offers lower standards it can only charge lower prices; this is bad news and will affect the share price. one added. There was renewed interest in the market for TSB, whose

shares moved up 2 more to 250p on 5.6m traded amid persistent talk that the group will move soon to acquire a building society. Abbey National the market increasingly concerned about the cost and also

BANCA DI ROMA

FCU 200,000,000

Floating Rate Depositary

conditions of the Receipts, the interest rate for the period 28th April, 1995 to

31st October, 1995 has been fixed at

The interest payable on 31st October

1995 against Coupon No 6 will be ECU 348.75 per ECU 10,000 nominal

and ECU 8,718.75 per ECU 250,000

Principal Paying Agent and Agent Bank

ROYAL BANK OF CANADA

seller, and closed only 3% up at slipped 3 more to 472p, with 470p. But BZW stressed that it retained its buy stance

	Apr 26	Apr 25	Apr 24	Apr 21	Apr 20	Yr ago	"High	LOW
Ordinary Share	2449.7	2438.4	2434.5	2435.9	2421,4	2509.8	2454.1	2235.3
Ord, div, yield	4.32	4.34	4.34	4.35	4.37	3.97	4.73	4.31
P/E ratto net	16.78	16.58	16.58	15.55	15,45	19.39	21.33	16.45
P/E ratio no	19.50	16.50	19.49	16.47	16.37	20.88	22.21	15.77
For 1985, Ordinary FT Ordinary Share I	Share indi	date 1/7/	empliation: 15,	high 271	1.6 2/02/9	4; low 49.4	26/8/40	

Open 9.00 10.00	11.00	12.00	13.00	14.00	15.00	16.00 Hig	h Low
2432.7 2433.4 2438.1	2444.9	2452.1	2453,4	2450,5	2448.1	2448.6 2453.	5 2432.4
	Apr 28	Apr	25	Apr 24	Apr 2	1 Apr 28	Yr ago
SEAQ bargains	23,92	5 25	416	22,768	24,75	1 21,361	24,98
Equity turnover (Cm)t		- 15	79.3	1199.7	1472	9 1904.2	1272
Equity bargainst		- 37	438	32,117	38,8	4 33,477	29,83
Shares traded (milit		. 2	39.5	528.1	719	6 780.1	521.2

Places and toda'		1995 Highs and	lows	LEFFE Equity optic	THE STREET
Total Rises	736	Total Highs	194	Total contracts	19,520
Total Falls	502	Total Lows	63	Calls	9,442
Same	1,629			Pute	10,078

Conglomerate Hanson form BP, with the former adding 9 at 743p on heavy turnover of 7.6m, at the expense of BP, which closed slightly

elipped 3% to 237%p, with some

talk that it was considering

putting down its marker with

investor Kirk Kerkorian, who

has made a \$22.8bn (£14bn)

approach to Chrysler, the US

Chemicals leader ICI rose 10 to 758p ahead of first-quarter

figures due today. Analysts

expect a strong boost from eth-

ylene prices and the rising

D-Mark, and although the cur-

rent range of forecasts is

hetween £175m and £180m, against £93m last time, many

improved margins achieved by

BOC's rivals Air Products and

Shell continued to outper-

Praxair.

on 9 at 574p.

vehicle maker.

easier at 451%p on 8.9m traded Transport group National Express roared ahead, rising 43 to 360p as trading in the shares restarted following the comple-tion of the £244m takeover of West Midlands Travel. The deal more than doubles the size of National Express. NFC rose 6 to 175p, while P&O put

Selected television stocks brightened after NatWest Securities highlighted the potential candidates for cross-media ownership. The government white paper on new higher limits for ownership is due in mid May and NatWest expects Yorkshire TV and HTV to be the most vulnerable to increased stakes. Yorkshire jumped 13 to 487p and HTV 6 to 175p.

There was a scrambie for stock in drinks group Allied Domecq as word went round that one securities house was about to publish a bullish note on the stock. The shares gained 13 at 545p in 2.7m trade. In general retailers, favourahie results comment hoosted Sears, the shares firming 2 to 106%p, in trade of 5.3m. The group raported improved annual figures on Tuesday but hrokers continue to have mixed views on the stock. Williams de Broe favours the

Services

Bnt NatWest Securities which reduced its current year profits forecast by £3m to £166m, advised investors to reduce" holdings.

believe profits could be much Strong general demand for higher. Smith New Court has pencilled in £195m and quietly feels the figure could top Asda Group brought turnover of 27m shares. The total was said to include a trade of 8m Gases group BOC improved 4 believed to have been carried to 739p as UBS pointed out the 13 per cent sales growth and

> Steve Thompson, Peter John, Joel Kibazo,

SE EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point out by BZW. The shares closed 2% ahead at 82%p. **MARKET REPORTERS:** TRADING VOLUME

FUTURES AND OPTIONS

3228.0

price	paid	CSD.	196			Close		Net	Div.		P/E
<u>P</u>	UD	(5m)	High	COM.	Stock	P	+/-	div.	COY.	yid	net
170	F.P.	74.1	171	171	Biocompatibles Int'l -	171		y-	_		-
-	P.P.	132.3	723	689	Brit Aero Cap Life	723	+18	_	_	· •	-
60	F.P.				Coral Products	63		b -	-	-	9.5
§128	FP.		135	128	Deilywn	129		FMQ.0	22	5.8	a7
\$130	F.P.	52.A	156	135	Detromech	150	+1 -	1	~	-	17.8
_	F.P.	141.0	105	103	DURING An Div	103		M8.2	-	7.5	
	F.P.	29.1	105	100	Do. Monthly Dty	103		M5.92	-	7.2	-
100	F.P.	20.0	101	100	F&C SUIT Units	100			-	_	-
100	F.P.	29.4	101	98	Geered Inc Inv C	96		-	-	-	-
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90					PIS	96		LSB	1.9	4.7	13.9
512	185	4,027,7	206	17912	"PowerGen (P/P)	195		F15.0	3.2	3.6	11.3
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	25	क्र क्रेप्	34	21	Ago	yants %	Lligh	100
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t Regional Indices								
Africa (15)	2732.25	-0.5	2747.33	2738.40	2437.39	4.83	3711.67	2385.5
Australiana (7)	2417.46	-02	2423.10	2437.72	2365.08	1.52	2951.49	1788-2
Norm America (T1)	1712.24			1687.52		0.79	1911-21	1348.10

F F SE Actuaries Share Indices P/E Xd adj. Total ratio. ytd Ratum Day's Year Apr 26 chge% Apr 25 Apr 24 Apr 21 ago FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ax Inv Trusts 15.36 51.80 1252.54 18.91 44.03 1942.41 17.61 46.02 1344.24 15.04 24.44 1270.83 14.71 32.04 1056.26 17.92 16.40 1057.22 22.89 21.84 1394.29

+0.4 3214.9 3209.3 3199.9 3150.0 +0.2 3511.5 3287.9 3505.1 3793.9 +0.2 3520.0 3507.3 3515.4 3809.0 +0.3 1595.8 1592.3 1589.4 1599.1 +0.3 1610.7 1608.4 1804.1 1599.2 1.92 1.80 1.86 1.90 1.89 2.31 1.58 1.55 1.86 4.23 3.68 3.83 4.11 5.04 3.02 3.43 3.65 +0.3 1595.8 1592.3 1589.4 1599.1 +0.3 1610.7 1608.4 1604.1 1599.2 +0.4 1580.6 1573.5 1574.3 1558.7 +0.3 1756.45 1749.87 1749.59 1839.35 FT-8E-A 350 FT-8E-A 350 Higher Yie FT-SE-A 850 Lower Yie 1600.8 1614.7 1586.7 1761.26 FT-SE SmallCap

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The Board of Directors

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DIVIDEND ANNOUNCEMENT

DIVIDEND ANNOUNCEMENT

The Board of Directors has announced to pay a dividend to the shareholders of the following sub-funds:
EUU 0,21 per share for the European Bond Fund payable against presentation of coupon No 3.
ECU 0,11 per share for the international Bond Fund payable against presentation of coupon No 3.
ECU 0,11 per share for the International Bond Fund payable against presentation of coupon No 1.
EVEN TO Share Subscribed and in circulation on April 21, 1995 payable on April 28, 1995 against presentation of their respective coupons.
The shares have been quoted air-date April 24, 1995.
The shareholders can cash their dividend at the following bank BANQUE GENERALE DU LUXEMBOURG S.A.

14, rue Aldringen, L-1118 Luxembourg

The Board of Directors

Preliminary Results					
YEAR ENDED 31 DECEMBER	1994	1993			
Turnover	\$47.7m	£44.6m			
Profit before tax	£3.9m	£0.2m			
Earnings per share	8.6p	(1.6p)			
Dividends per share	2.5p	1.5p			
Net assets per share	92p	88p			

Highlights from the Chairman's Statement:

- Substantial increase in Profits, Earnings and Dividend.
- Listing for Eastern Highlands Plantations Limited.
- Proposed Listing for Langdons Foods Plc.
- Good prospects for the current year. 71 CARTER LANE, LONDON, EC4V 5EQ

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CONTRACTS & TENDERS

ANNOUNCEMENT FOR PREQUALIFICATION FROM EREGLI IRON AND STEEL WORKS INC. (ERDEMUR)

Announcement is hereby made for the prequalification of the fuel modification project on the existing steam boilers no. 3 and 4 no nurskey basis included within the Step II of Capacity Improvement and Modernization Project in the integrated steel plant of Bregli Demir ve Celik Fabrikalari TAS. located at Kdz. Bregli, TURKEY.

A) Existing Design Pa Parameters Aimed by the Modification Project 45.7 kg/cm Steam Temperature : 445 ± 5°C 445 ± 5°C : 116°C 116°C Blast Furnace Gas Converter Gas

ii) Coke Oven Gas or iii) Foel-Oil No.6 iii) Natural Gas 100% iv) Fuel-Oil No.6 (v) Coke Oven Gas v) Fuel-Oil No.6 The project will be financed through ERDEMIR's own funds Only the consortium formed under the leadership of a prequalified local firm and laving a foreign steam boiler designer & manufacturer as partner responsible from engineering services and performance guarantees, shall be invited to submit bide.

- Proqualification documents will be sent to those firms which will submit a written application to ERDEMIR. The firms which do not apply in time shall not be prequalified and therefore shall not be invited to submit their bids. The following points shall be considered in the prequalification of firms: a) The leader local firm which will submit the bid for the modification work should have sufficient manufacturing and erection experience in similar
- Foreign partner of the leader local firm should have sufficient experience on design and modification projects of industrial steam boilers fired with low calorific value gaseous fuels.
- c) Financial status of the leader local firm and foreign firm should be satisfactory. The prequalification applications for the above menioned project must be submined to the address below on or before 17:00 hours local time on Tuesday, 16 May 1995. Late deliveries shall not be accepted.

ERDEMIR MUHENDISLIK VE YAJTRIMLAR GENEL MUDUR YARDIMCILIGI 67330 KDZ EREGLI, TÜRKEY SUBJECT: MODIFICATION PROJECT OF THE EXISTING STEAM BOILERS NO3 AND 4.

FT-SE-A ALL-SHARE	1580.39	+0.3	1575.48	1571.79	1569.15	1590.23	4.05	1.88	18.42	23.78	1275.4
# FT-SE Actuaries All-S	hare Apr 26	Dey's	Apr 25	A 74	A~ 21	Ytear	Div. yeld% -	Net	P/E ratio	Xd adj.	Total
					_					_	1160.0
10 MINERAL EXTRACTION(24)	2817.06					2709.24	3.86	1.75		52.95 91.84	1040.7
12 Extractive Industries(7)	3675.30 2823.31					3863.00	3.75	1.96			1188.0
15 Ot, Integrated(3) 15 Oli Exploration & Prod(14)	2046.27					2645.73 2098.43		1.79		50.43 31.57	1203.9
											_
20 GEN INDUSTRIALS(279)	1880.92 880.16					2128.35	4.17	1.64		29,46	963.11
21 Building & Construction(38)	1733.56					1333.38	4.14	1.89 1.88		27.71	838.19
22 Building Matte & Merche(31) 23 Chemicata(22)	2295.89					2552.23	4.12	1.88		33.48	1041.8
24 Diversified Industrials(18)	1638.49					2143.42	5.19	1.45		40.72	972.8
25 Electronic & Elect Squip(37)	1954.19					2050.50	3.73	1.92		13.10	972.1
26 Engineering(72)	1856.45					1978.57	3.34	1.85		21,26	
27 Engineering, Vehicles(13)	2204.02					2485.85	4.15	0.38		47.72	1102.9
28 Paper, Poky & Printing(27)	2881,47		2843.66				3.34	231		37.94	1148.6
29 Textiles & Apperei(21)	1585.24	+0.5	1572.96	1564.B3	1589.B7	1829.19	4.45	1.83	17.26	26.92	923.74
30 CONSUMER GOODS(94)	3048.74		3040.74				4.26	1.63	18.00	52.92	1079.0
31 Brewering(16)	2283.66					2287.96	4.20	2.03		12.19	1046.2
32 Spirits, Wines & Ciders(10)	2765.39					2996.39	4.19	1.83		54.52	964.4
33 Food Producers(24)	2435.65		2432.28				4.16	1.96		51.64	1058.5
34 Household Goods(10)	2441.48					2703.B4	3.77	0.86		50.32	902.6
35 Health Care(18)	1713.58	+0.4	1707.01	1704.29	1712.65	1707.36	3.03	0.97	42.45	9.18	1006.3
37 Phermaceuticals(12)	3812.58	-0.1	3815.93	3615.88	3750.00	2597.76	4.07	1.33	23.16	49.48	1240.1
38 Tobacco(2)	3992.51	+0.7	3964.83	3913,63	3881.52	38 <u>6</u> 7.37	5.68	1,63	13,49	131.29	944.9
40 SERVICES(229)	1964.57	+0.8	1948.05	1940.55	1938.45	2054.59	3.33	2.00	17.63	22.81	985.4
41 Distributors (32)	2452.39	+0.6	2438.79	2419.18	2403.21	3083.46	3.90	1.95	16.47	41.11	872.2
42 Leisure & Hotels(29)	2201.82		2190.47				3.49	1.86		35.29	1110.2
43 Media(43)	2888.43	+0.3	2879.17	2864.11	2865.01	3140.29	2.71	2.27	20.33	47.53	1022.2
44 Retifiers, Food(16)	1921.65		1901.67				3.51	2.48	14,39	17.14	1170.4
45 Relations, General(44)	1548.32		1529,14				3.33	212		10.92	903.3
48 Support Services(37)	1582.65		1531.38				2.80	2.45		13.58	947,3
48 Transport(21)	2218.51		2191.69				3.87	1.90		29.32	868.4
51 Other Services & Business(7)	1217.49	+0.1	121230	1214.90	1204.45	1172.63	3.71	1_21	27.76	10.90	1066.0
80 UTELTHES(37)	2326.10		2324.82				4.6B	1.93	13.84		916.50
62 Bectricity(17)	2225.02		2215.23				4.80	2.67	10.20		952.2
64 Ges Distribution(2)	1985.55		2006.61				6.03	0.65	31.76	0.00	933.00
58 Telecommunications(5)	2013.49		2012.06				4.06	1.88	18.26	0.13	873.8
68 Water(13)	1851.07		1845.59		_		5.41	2.73	8.45	4,82	943,8
69 NON-FINANCIALS(563)	1707,38	+0.4	1700.84	1696.62	1693.52	1723.29	4.01	1,80	17,37	22.93	1236.5
70 FINANCIALS(117)	2267.90		2268.87	2266.93	2263.87	2213.73	4.57	233	11.49	58.44	929.35
71 Banks, Retail(9)	3038.28		3040.53				4.53	2.95		86.03	843.02
72 Banks, Merchant(8)	3193.58		3191.12				3.63	2.54		31.67	960.01
73 Insurance(26)	1260.67		1259.06				5.63	1.96		34.09	886.QC
74 Life Assurance(6)	2499.72		2497.64				5,43	1.33	17,30		1003.0
77 Other Phenotal (22)	1976.02		1973.35				3.68	2.32	13.86		1080.8
79 Property(46)	1345.41	-0.3	1349,82	1339.53	1539.05	1631,44	4,47	1.17	23.92	12.77	787.96
80 INVESTMENT TRUSTS(133)	267 <u>8.34</u>	+0,3	2670.55	2654.87	2655.57	2658.64	2.58	1.02	61.33	-	912.11
89 FT-SE-A ALL-SHARE B13	1580.39	+0.3	1575.48	1671.78	1569 <u>.15</u>	1590.23	4.05	1,88	16.42	23,78	1275.4
T-SE-A Fiedging	970.60		870.B7	969.20	968.84	-	3.09	1.13	35,81	9.85	980,53
T-SE-A Pledgling ex law Trusts	985.40	-0.1	965.94			_	3.28	1.15	33.00	40.00	975.77

FT-SE-A Prodging on law Trusts 965.40 -0.1	965.94 964.4	0 958.84 8 964.04		3.09 3.28		36,81 9,85 33,00 10,35	
M Hourly movements		8 964.04	-	3.28	1.15	33.00 10.35	975.77
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firme of FT-SE 100 Day's high: 11.51am Day's low: 8.31am, FT-SE	100 1994 High:	3210.0 (7/4)	LOW: 285	.2 (23/1).			, .

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Pharmaceuticis 3776.	3778.4	938.1 3776.6 1834.4 3062.9	1635.2	3799.3 1842.8	3790.1 1843.5	1844.4	1844.4	1840.8	3781.0 1844.8	1030.9	-2.0 -3.4 +5.7 -2.6

Additional information on the FT-6E Actuaries Share indices at published in Seturday issues. Libra of constituents are simplest from the Previous Tense Limited, One Southmark Bridge, London SS2 644. The FT-SE Actuaries Share Indice Sentice, which covers a major of electronic and proper-based producers-string to these indices, it available from PT-SE Actuaries Share Indices Sentice, London EC2A 472.

The FT-5C Mid 250, FT-6E Actuaries Share Indices The FT-5E 100, the FT-5E Mid 250, FT-6E Actuaries Share Indices In

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FINANCIAL TIMES

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FINANCIAL TIMES THURSDAY APRIL 27 1995

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in midsession trading

Wall Street

Blue chip stocks slipped back below the 4,300-point level while the Nasdaq composite soared to a new record high in early trading yesterday amid mixed signals from other financial markets, writes Lisa Bransten in New York.

The major indices were mixed at 1 pm as higher tech-nology prices helped the Nasdag composite higher while other indices were flat or modestly lower

The Nasdaq composite index gained 2.95 at 834.23, surpassing its record of 832.64 set on

The Dow Industrial Average was 1.38 lower at 4,296.79, while the Standard & Poor's 500 was unchanged at 512.15. The American Stock Exchange composite firmed 0.91 to 474.50. Trading volums on the New York Stock Exchange was

In early trading the dollar jumped against the D-Mark and the Japanese yen, buoyed by agreement by the Group of Seven industrial nations to work to stabilise international currency markets.

By early afternoon the US currency was changing hands for Y83.90 and DM1.3783 comlate on Tuesday

Msanwhile, stronger than expected figures on durable goods orders and worries about new supply due to be sold on to the market yesterday afternoon sent the Treasury market lower in early trading.

The technology sector con-tinued its recent climb on the hack of the strong earnings report issued last Thursday by IBM. Big blue, which is a com-ponent of the Dow, added another \$1% at \$94% to the more than \$6 it has gained

On the Nasdaq, Intel gamed \$1 at \$99%, Apple Computer was \$% higher at \$38% and Dell Computer rose \$\% to \$53. Reader's Digest shed more than 15 per cent, falling \$7% to \$40%, after the publishing company said that it expected higher newsprint prices and weakness in its European operations to reduce earnings growth into 1996.

Chrysler dropped \$21/2 to \$41% after Mr Kirk Kerkorian acknowledged in a letter to the company that be had been unable to raise the necessary financing to mount a takeover bid for the company. Shares in the third higgest motor manuafter Mr Kerkorian proposed a buyout of the company for \$55

Toronto was mixed at midday as losses in conglomerates and forestry products offset gains in most other sectors. The TSE-300 composite index was 3.33 higher at 4,284.43 by noon in heavy volume of 38.9m shares. Traders noted that the

Toronto market had tracked

Wall Street's performance. Of

Toronto's 14 sub-indices, nine sectors posted gains at midday. International Musto Explorations extended earlier gains, rising C\$21/4 to C\$15 after the company said it would respond soon to a joint takeover bid from Australia's North and Canada's Rio Algom. Placer Dome, C\$1/4 higher at C\$34%, said that it was weighing its

options as a result of the com-

SOUTH AFRICA

peting bid.

Equities were in a cautious mood ahead of today's public holiday. Gold shares softened as the price of bullion slipped to \$388 an ounce, and the sec-tor index shed 13.9 to 1,485.8. Brokers noted that recent disappointing quarterly results from gold miners were weigh-ing on sentiment. The overall index put on 4.9 at 5,464.8 and industrials rose 30.5 to 6,824.4.

Nasdaq at record high Bourses cheered by better \$ and bonds

bonds gave hard currency bourses a good start, writes Our Markets Staff. Post-election Paris, a recent, but potentially fragile, member of the hard currency club, lost its enthusiasm after lunch: but Milan waxed positive on poli-

tics and had a very good day. FRANKFURT liked the dollar and bond market news. which offered scope to both defensive and cyclical stocks. It also heard a Bundeshank board member, Mr Hans-Jürgen Krupp, say that the current 4 per cent discount rate was "not particularly low" and that there was no reason to rule out rate cut speculation.

The combination lifted the Dax index to 2,029.53 on the session, and to a post-bourse close 20.95 higher at an Ihis-indicated 2,028.52. Turnovsr climbed again from DM7.4bn to DM8.1hn, with both Siemens and Daimler topping the individual DM1bn level.

Cyclicals featured the automotive sector an bloc, with Daimler DM13.50 higher at DM632 after an 8 per cent rise in first-quarter sales at its Mer-cedes subsidiary, and steels led by Thyssen, DM6.70 higher at DM257.70, and Mannesmann, up DM8.30 to DM378.30.

Improved sentiment in the retail sector, reflecting lower import costs and higher wage

A better day for the dollar and settlements, took Karstadt up another DM11 to DM610 and Kaufhof ahead by DM9 to DM610, and broadened to take in Asko, which rose DM30 or 5.1 per cent to DM620.

Elsewhere in second-tier stocks the specialty chemicals group Beiersdorf surged DM64 or 6.2 per cent to DM1,102 on a higher dividend for 1994.

PARIS decided that it was time to take profits after a 13 per cent gain since the middle of March , which marked the start of the current bull phase. The CAC-40 index retreated 3.51 to 1.942.32, after an earlier high of 1,962.88, in turnover

Presidential electioneering provided the backdrop to the session, but corporate news was in evidence from Club Med, which made a positive assessment of its trading position, forecast a good rise in first-half results and saw the shares rise FFr10 to FFr503.

GAN, the insurance group which is set for privatisation, reported a 1994 loss of FFr5hn, largely due to its exposure to the crippled property market. But investors took the view that the worst was now behind the group, and the shares rose to a session's high of FFr175, before falling away in lins with the overall trend to close off 50 centimes at FFr168.

THE EUROPEAN SERIES 11.00 12.00 13.00 14.00 15.00 Chom FT-SE Birotrick 100 1300.97 1302.92 1304.97 1307.95 1307.95 1307.72 1305.28 1304.97 FT-SE Birotrick 200 1306.09 1400.26 1400.25 1402.27 1403.81 1403.92 1400.98 1401.46 Apr 25 . Apr 24 . Apr 21 1295.65 1382.63 FT-SE Burotrack 100 FT-SE Eurotrack 200

outcome of the weekend's regional elections, and a pick up in turnover to between L600bn to L700bn suggested that some foreign investors were once again testing the water. The Comit index rose 8.92 or 1.5 per cent to 626.19.

Mr John Stewart at Inter-Europa in Milan commented that the check on the progress of the right in the regional polls had strengthened the hand of Prime Minister Lamberto Dini and pointed to a calmer period ahead on the politi-cal front.

Among market leaders, Mediohanca rose L551 to L12,534 and Fiat was L85 higher at L6.719. The insurance sector, likely to benefit from the introduction of private pensions, saw Generali L482 ahead at L40,003, while Telecom Italia, a traditional favourite among forsign investors, advanced L123 to L4.262.

AMSTERDAM rose on the dollar, the AEX index moving forward 4.56 to 413.79. Philips, up Fl 1.20 at Fl 56.70, after a high of FI 56.80, was the main story of the day as it

Good gains were also seen from Royal Dutch, which

ZURICH's advance was checked in late trading as the

released first-quarter results at the top end of expectations. However, the company warned that the recent trend of dollar weakness against the yen and D-Mark had a significant effect on earnings. Polygram, its music and film subsidiary, added 20 cents at F187.20.

added FI 3.39 or 1.8 per cent at FI 191.40, Elsevier, up 30 cents at FI 17.10, and Ahold, up 60 cents at FI 58.80.

dollar slipped, the SMI index closing 13.3 higher at 2,574.4. Pharmaceuticals remained in dsmand. Roche certificates picked up another SFr50 to SFr6,845 ahead of 1994 results today and Ciba, which forecast higher 1995 operating profit,

was SFr7 firmer at SFr771.

SFr20 to SFr888, still benefiting from the release of better than expected results.

Baloise, the insurer, added SF170 to SF12,520 on speculative demand by institutional

gadian po

BRUSSELS and VIENNA had nasty accidents in the construction sector. In Belgium, Franki phonged BFr74, or 9 per cent to BF1750 on Tuesday's losses and, in Austria, a sharp drop in 1994 profits and a halved dividend from Maculan left the shares down Sch54, or 9.8 per cent at Sch495.

HELSINKI's forestry stocks eased late in the day after news of an EU Commission probe into a suspected newsprint cartel but, in spite of that, the Hex index rose another 1.7 per cent, closing 30.1 higher at 1,777.6.

WARSAW took profits following the market's recent record breaking run, and the Wig index fell 657 or 7 per cent to 8,611.6. Turnover was also lower, losing 44 per cent to 118m zlotys.

However, analysts noted that the likelihood of a reduction in interest rates next month was likely to support prices in the short-term.

back to finish at Won123,000.

TAIPEI ended at a 12-month

low, investors remaining preoc-

cupied by Deng reports. The weighted index fell 67.91 or 1.2

per cent to 5,667.55 in turnover.

Brazil 5% higher at midsession

São Paulo was firmer in mid-morning trade as the market awaited a televised address later in the day by President Fernando Henrique Car-doso in which he was expected to defend an anti-inflation programme, and urge congress to

pass constitutional reforms. The Bovespa index ha cent at 39,006 by midses of the main risers, u following news that it was to be privatised.

RIJENOS ATRES was weake 420.47. Turnover came to 67.3m pesos.

MEXICO extended early gains on a fall in domestic interest rates and a rise in the peso. The IPC index of the 37 leading shares was ahead 28.25 or 1.4 per cent at 2,029.40. Volume had reached 21m shares.

ad gained 2,014 or 5.5 per	after the Merval index had registered a 20
ssion. Eletrohras was one	cent rise over the last five sessions. By
ip 8 per cent et R\$272,	morning the index was off 13.69 or 3 per cer

			Dollar terms		Local currency terms		
Market	No. of stocks	Apr. 21 1995	% Change over week	% Change on Dec '94	Apr. 21 1995	% Change over week	% Change on Dec '94
Latin America	(257)	442.15	+8.5	-23,6			
Argentina	(30)	719.83	+13.8	-2.0	441,526,42	+13.7	-2.0
Brazil	(72)	278.90	410.8	-27.4	955,43	+11.6	-21.6
Chile	(36)	768.04	+1.6	-2.1	1,206.33	+0.9	~4.3
Colombia ¹	(16)	710.07	-1.9	-12.5	1,102,74	-0.8	-7.7
Mexico	(71)	412.24	+0.2	-32.2	1,069.41	+4.3	-17.2
Peru?	(20)	178.56	+4.1	+0.1	245.89	+4.3	+3.4
Venezuela ³	(12)	405.45	-1.4	-18.1	1,582.52	-1.4	-18.1
Asia	(657)	236.75	-0.4	-5.1	•		
China*	(20)	68.35	-3.2	-9.9	72.75	-3.2	-10.1
South Koreas	(159)	128.27	+0.9	-6.2	128.85	+0.2	-9.1
Philippines	(25)	256.21	+0.8	-14.1	322,42	+0.6	-8.2
Taiwan, Chinas	(93)	138.51	-7.2	-15.8	132,09	-7.0	-18.0
India ⁷	(101)	103,18	-2.8	-16.4	115.17	-2.8	-18.3
Indonesia*	(42)	89.56	-0.2	-10.2	108.40	-0.2	-9.0
Maleysia	(114)	274.37	+0.7	+2.1 .	249.69	+0.8	-1.4
Pakistan ^a	(36)	286.32	-2.4	-21.8	400.87	-2.5	-21.8
Sri Lanka ¹⁰	(19)	128.77	-5.7	-25.1	137.29	-5.9	-26.0
Thafland	(68)	359.71	-1.2	-6.2	350.64	-1.2	-8.3
Euro/Mid East	(209)	140.35	+2.0	+16.4		_	
Greece	(40)	230.66	+27	+22	351.23	+2.3	-4.5
Hungary*	(5)	117.64	+5.0	-22.5	107.46	+4.5	-18.9
Jordan	(8)	163.36	+0.9	+8.9	236.35	B.0+	+8.3
Poland ^a	(16)	489.64	+14.6	+4.3	726.67	+14.5	40.9
Portugal	(29)	130.29	+2.4	+7.8	130.64	+1.8	-1.4
South Africate	(62)	232.56	+1.1	+3.5	173.44	+1.3	-8.3
Turkey*	(44)	192,45	+10.5	+58.1	3,874,70	+10.9	+75.1
Zimbabwes	(5)	223.80	-0.4	-8.5	280.59	+0.1	-6.9
Composite	(1123)	271.69	+3.0	-11.6			

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

indices are established at and-week, and weakly changes are percentage movement from the previous Friday. Same chass. Dec 1989-100 except those noted which are: (1990 : 1989); (2)Dec 31 1982; (2)Dec 31 1982; (2)Dec 31 1982; (3)Dec 31 1982

the interest of the institutional investor, writes John Pitt.

One of the world's poorest nations, with an annual per capita income of just \$225, the country was opened to foreign investors after the election in 1991 of the prime minister, Mrs Khaleda Zia. Following an economic liberalisation programme, government overspending and inflation have been checked and, with controls on foreign trade reduced,

spending and initation have been checked and, with controls on foreign trade reduced, exports have grown by an estimated 20 per cent annually. The Dhaka stock market, says Kleiman International, an independent analyst of emerging markets, is the only one active at present, although last month the securities and exchange commission announced plans to open a competing exchange in Chittagong by June. This would be fully automated, screen based and with a computerised central depository system. By contrast, Dhaka is a manual exchange. The Dhaka market climbed by 115 per cent in local currency terms last year, and market capitalisation increased to \$150, from \$453m in 1993. The market's price/earnings ratio, 7.3 at the close of 1993, rose to 10 by the end of last year.

One feature restricting the level of foreign involvement at the moment is a requirement

One feature restricting the level of foreign involvement at the moment is a requirement by the SEC of a one year "lock-in" period on IPOs, during which time they may not be traded. In addition, foreign investors are now limited to one-third of the total issuance of any IPO, compared to 80 per cent before the new rules were introduced in February. However, notes Kleiman, this is still greater than in the neighbouring India and Pakistan, where the limit is 25 per cent.

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ASIA PACIFIC

Nikkei easier as Hong Kong falls by 2.6%

important announcement.
Turnover swelled to HK\$4.2bn.

from HK\$2.3hn. One hroker

Tokyo

Share prices lost ground in thin trading, futures leading the cash market down as the failure by the Group of Seven ministers to concoct measures to support the dollar dampened sentiment, writes Emiko Terazono in Tokyo.

The Nikkei 225 average was off 84.05 at 16.826.49 after moving in a narrow range between 16,712.98 and 19,932.08. Volume decreased to 200m shares from 260m. Domestic institutions are expected to be inactive ahead of the "Golden Week" string of holidays which hegin on

The yen gained ground fol-lowing disappointment over the G7 meeting in Washington. The stock market is moving only in response to the yen-dollar rate," said Mr Tom Hill. a strategist at S.G. Warburg, forecasting that volumes and share prices were likely to remain subdued because of the ven's strength.

The Topix index of all first section stocks shed 6.75 to 1,329.85 and the Nikksi 300 eased 0.98 to 246.24. Falls led advances by 731 to 271, with 168 issues unchanged. But in London the ISE/Nikkei 50 index put on 4.93 at 1,102.67.

Investors focused on the listing of NTT Data Communications Systems, a telecoms sub sidiary of Nippon Telegraph and Telephone, on the second section. The stock closed at Y1.31m, up from the initial public offering price of Y1.04m. Some traders had feared that the listing would soak up the market's already meagre liquidity, due to investors liquidating their holdings in other telecom stocks to raise funds for the purchase of NTT Data. Such worries material-ised and NTT fell Y19,000 to Y759,000 and DDI declined

Y5,000 to Y747,000. Banks were higher on reports that a rescue plan for Hyogo Bank, a financially troubled regional bank in western Japan, was being negotiated between the Bank of Jspan, Industrial Bank of Japan and

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Local Currency Index

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195.55 184.44 71.87 128.01 97.80 73.00

124.46 88.47 91.51 108.06 65.13 127.85

Sumitomo Bank. The Tokyo and Osaka stock exchanges halted trading in Hyogo, and the bank's president denied the reports after the market closed. Dai-Ichi Kangyo Bank gained Y20 at Y1,690 and Fuji Bank firmed Y30 to Y1,970, but IBJ lost Y10 at Y2,490.

The OSE average receded 116,10 to 18,263.35 in volume of

Roundup

Rumours about the failing health of the Chinese leader. Deng Xiaoping, hit a number of markets in the region. HONG KONG's Hang Seng index dropped 2.6 per cent or 219.91 to 8,285.69 on sugges-

tions, subsequently denied,

commented that the Deng rumours were being used as an excuse for index futures linked selling in the cash market. Property developers led the losers. Cheung Kong fell HK\$1.30 to HK\$32.90, Hender-

son Land HK\$1.30 to HK\$40.50 and Sun Hung Kai Properties HK31.85 to HK348.40. SHANGHAI'S hard currency B shares posted a second con-

secutive record closing low. in reaction to rumours that Deng had died. The index fell 0.371 to KUALA LUMPUR declined

1.7 per cent as foreign inves-

tors stepped up selling on con-

unimpressed by the resounding victory of the ruling National Front in the general election. SINGAPORE was depressed by Hong Kong's plunge and the failure of Malaysian stocks to climb after the general alection. The Straits Times Indus-

cerns over possible capital con-trols. The composite index lost

16.42 at 958.63, with the market

trial index dipped 11.04 to 2.063.63, while the UOB OTC index, tracking Malaysian— stocks, shed 15.36 to 1.060.42. SEOUL shaded higher in thin trade after a higher 1995 earnings forecast by Samsung Electronics boosted some blue chips. The composite stock index added 1.96 at 880.73;

Samsung Electronics went

limit up to Won128,000 in the

Electronics stocks suc-cumbed to profit-taking following recent strength, the subindex losing 2.4 per cent. United Microelectronics shed T\$6.50 to T\$124 and Wus Printed Circuit T\$4.50 to T\$68. SYDNEY rose on strength in the futures market. The All

Ordinaries index gained 10.2 at 2,009.3, with tannover reaching A\$500m.-Brokers said that the expiry of options contracts today encouraged investors to cover positions.

Commerzbank's focus on German and European economic issues

THE RAPID structural adjustment in the east is receiving generous sopport from poblic sources, including a 10% investment tax credit for smaller manufacturing firms and craft eoterprises, which has just been extended to 1998. In addition, there are various programmes to encourage business start-ups and help raise equity capital. But if the restructuring process is to continue, young companies will need support for some time to come.

Retailing: 14%

sectors. Growth of industrial firms which stand on their own is mainly constrained by a shortage of equity capital. Those with western proprietors are better off access to the necessary funds. know-how and purchasing structures through their parent companies. It will, though, be some time before smaller firms can become major suppliers of components in eastern Germany. Much will depend on whether largs

Jobs provided by the individual segments percentage share of all smaller businesses.

Smaller businesses: backbone of the eastern German economy

One good indicator of the success to data with economic restructuring in eastern Germany is the extent to which small and medium-sized businesses have been abla to take root. Judged by this measure, progress has been substantial. Half tha total workforce is amployed by the region's amaller firms, of which there are now nearly half a million.

International presence: Almo-Ats, Amsterdam. Antwere Alianta Receiph Barcelona, Berime, Bombay Aires, Cairo, Caracas, Chieses Copenhagen, Dublin, Geneva, Gibraltur, Grand Cayman, Hong Kong, Istanbul, Jakarta. Johannesburg, Kiev, London, Les Angeles, Luxembourg, Madrid, Manama, Mexico City, Milan, Minsk, Moscow, New York, Nevosibirsk, Osaka, Paris, Pracue, Rio de Janeiro. São Paulo, Seoul, Shanghai, Singapore, St. Petersburg,

command economy, which was dominated by unwieldy industrial combines, by a flexible marketbased system is an impressive achievement. In the former GDR, only about 5% of the labour force had worked at the roughly 100,000 independent firms. By the end of 1994, small to medium-sized businesses (turnover of DM100m or less or fewer than 500 employees) provided 3.1 million jobs - about half the

THE REPLACEMENT over the past

five years of eastern Germany's

FIRMS IN CRAFTS, retailing and services are particularly dynamic. Craft enterprises are benefiting. from the construction boom and various infrastructure projects; with an aggregate workforce of around 1.2 million, they provide more jobs than any other segment of the small husiness sector. Smaller retailers have adapted very quickly to the new competitive environment, following the success of major western German retailers in the eastern part of the country. Service companies and professional people, who were very much under-represented in the old GDR, soon discovered that a market economy offered them a

SMALLER INDUSTRIAL FIRMS are likely to gain ground. As large companies dominate industry less in eastern than in western Germany, opportunities io the east for smaller businesses are even greater here than in other

sound basis for expansion.

companies move into this market and on whether stable relationships can be established between suppliers and producers. At the same time, the growing significance of outsourcing in industry should benefit smaller firms.

SMALLER BUSINESSES SEEM likely to strengtheo their positioo in eastern Germany in the years ahead. Over the longer term, they will probably provide more than two-thirds of all jobs - a higher share than in the western part of the country. As a result, the eastern German economy will be more flexible and hence better able to meet technological challenges and respond to shifts in demand.

For more information about our banking and financial services, contact Commerzbank's Corporate Communications Department, Frankfurt. Fax +49 69 13 62-98 05

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